BUREAUCRACY RUNS AMUCK

by

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To my son

L. S.

MAY CHARACTER, ENERGY AND A REDEEMED HERITAGE
OF LIBERTY EQUIP HIM TO PAY HIS
SHARE OF THE BILL

We must beware of trying to build a society in which nobody counts for anything except the politician or the official—a society where enterprise gains no reward and thrift no privileges.

—WINSTON CHURCHILL

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There is more wisdom in public opinion than is to be found in Napoleon, Voltaire, or all the ministers of state, present or to come.

—TALLEYRAND

CHAPTER I

THE WORLD'S BIGGEST PAY ROLL

THE federal government now carries a few more than 3,300,000 employees on its civil pay roll—better than one for every three men in the military services. The top figure in World War I was 918,000 civil servants, or one for every six in the military services. As compared with the last war, do we now need twice as many government workers for every fighting man in the field?

During 1942 federal expansion added an average of 99,166 persons to the civil pay roll each *month,* or 4,000 every working day—about seven infantry divisions every month. During the twelve months ending with September 1942, the U. S. Civil Service Commission reported, our federal agencies added 962,834 persons to the *civilian* rolls, or an average of 110 new workers every *hour,* twenty-four hours a day and seven days a week. For all departments, two of every three federal employees are men.

How may one visualize 3,300,000 men and women on

one pay roll? That group is larger than the total number of people gainfully employed in the state of Illinois. If you can picture every employed person in Illinois—every tradesman, clerk, bookkeeper, housemaid, truck driver and industrial craftsman—dropping his implements or tools and taking up a federal assignment, you have a manageable picture of the national civil service today. Only two states—New York and Pennsylvania—report a greater number of gainfully employed than Illinois. Thus the federal civil rolls, measured in manpower equivalent, represent approximately the total economic potential of our third industrial state.

Measured another way, our federal civil service of more than 3 million compares with 1,700,000 employed in the entire iron and steel industry of the United States; 600,000 in lumbering; 1,800,000 in machinery and machine tools, including electrical machinery; about 2 million in ship construction. (Employment in aircraft production is censored as military information, but the over-all figure is estimated at considerably less than 2,000,000.)

The Civil Service Commission reports that in 1910 there was 1 person on the federal pay roll for every 264 of national population. After the war expansion of 1914-1918, this ratio stood at 1 to 153 in 1920. Liquidation of the war agencies restored a ratio of 1 to 200 in 1930. Today the figure is 1 to 41!

Senator Harry F. Byrd of Virginia, chairman of the Joint Committee on Reduction of Nonessential Federal

Expenditures, has reported that while the state government of Ohio employs only 25,000 people, the federal establishment *in Ohio* engages 90,000 full-time pay-rollers exclusive of the military branches. Massachusetts has 21,000 state employees and 129,000 federals within her borders; Pennsylvania, 44,500 state and 215,000 federal. This committee also has reported to Congress that only 45 percent of the federal civil employees are engaged directly in war work.

On top of their established local governments, do the American people need a federal monitor for every forty-one citizens? Apparently not, for many government employees sometimes have difficulty keeping busy. Surveying Washington's overmanned bureaus, the Civil Service Commission reported in August 1942: "Thousands of federal employees are working below their highest skills. Thousands more are using their highest skills for a very small percentage of the working day." But since that report was published, more than 600,000 men and women have been added to the bureau rolls.

At the close of 1942 the Byrd Committee, after an exhaustive inquiry into recent bureaucratic expansion, reported to the Senate: "It can be said unequivocally that our own government is the chief offender in the entire country from the standpoint of wasting and hoarding manpower."

Interpreting his report, Senator Byrd added in debate: "The statement may be made advisedly that at no time in history has there been so much waste, so much inefficiency

as now exists in the multitude of bureaus which sap the strength of our nation."

Four months later the House Committee on Military Affairs surveyed Selective Service classifications in several large agencies. This report disclosed approximately 500,000 men of draft age and qualifications working in the federal service, thousands of them deferred as essential workers. In the Office of War Information there were 1,000 men of draft age, of whom 700 had been deferred by their local boards "without any request from the employing agency." Another group of 100 single young men in the nineteen-to-thirty-six age group were found to be *without draft classifications* anywhere. When this discovery was brought to the attention of Brigadier General Lewis B. Hershey, Director of Selective Service, he told the committee there simply had been a mistake somewhere along the line. "Normally there is no reason why those men should be unclassified," he added.

After the World War I peak of 1918, federal employment declined steadily for fifteen years. In March 1933 the civil rolls carried 565,000 names. The NRA, AAA and PWA, established in June 1933, marked the beginning of a new era of expansion; and by June 1940 Uncle Sam's civil pay roll, for the first time in history, registered a *million* names. At this point, with the launching of the emergency defense program following the fall of France, the rate of growth was accelerated sharply, and during the next three years 2,300,000 more were added to the civil rolls.

Thus, in the ten fiscal years, 1933-1943, no less than 2,735,000 persons have been added to our federal civil rolls. The average pay now is $156 per month. Whereas the *monthly* pay roll was $75 million in 1933, it is now $522 million, again exclusive of all military personnel.

At the end of World War I there were 30 federal administrative units, including the wartime emergency bureaus. Today there are 205 federal departments, commissions, boards and independent agencies. Among them, they maintain 1,594 branch offices throughout the country—not including, of course, some 5,200 local rationing boards manned principally by volunteer workers.

Divided authority and overlapping jurisdiction are the hallmarks of bureaucratic administration. Until the Baruch Report compelled corrective action in August 1942, our rubber program had been for ten months in the hands of seven federal agencies. Petroleum still is managed by five administrative units. Labor laws and regulations are administered by seventeen different agencies. Raymond Clapper has called Washington "the arsenal of bureaucracy." But Lieutenant General Hugh A. Drum, in charge of the Eastern Defense Command, warns that "victory never will come in a package wrapped in red tape."

Congress has made several attempts to classify all federal personnel on the basis of the degree of direct identity with the war effort. But these efforts have been unavailing, for the reason that many of the long-established peace agencies now have switched partially to war functions. The De-

partment of Agriculture, for example, regrouped all its subsidiary bureaus and offices to put a defense label on every activity. The Tennessee Valley Authority, likewise, became a war agency concerned with the development of electrical power resources. The Maritime Commission became the War Shipping Administration. The Federal Communications Commission found a special war job in monitoring foreign broadcasts, and the Interior Department intensified its activities in the development of minerals needed for military production. The old Export-Import Bank became the Board of Economic Warfare. Even the Government Printing Office became a war agency when it began to produce ration books by the hundreds of millions. By this device every agency soon found its niche in essential work, and the War and Navy Departments, carrying the real burden of the military effort, found themselves in competition with all the normal peacetime agencies for both appropriations and qualified workers.

This hasty transfiguration was illustrated in the monthly *Review* of the U. S. Labor Department for February 1943. The official tabulation of federal pay rolls showed 158,349 persons still employed on relief programs sponsored by the National Youth Administration. A footnote explained: "Beginning July 1942 the NYA was considered a training program for war work, rather than a relief program." By a mere shuffling of definitions, the relief program of 1935 had become the war program of 1943. But the next time the appropriation bill came around, Congress looked behind the footnotes. NYA was abolished.

Political patronage, rather than the long-established merit system, has been the dominant impulse guiding our recent runaway federal expansion.

Representative Robert Ramspeck of Georgia, who as chairman for many years of the House Committee on Civil Service enjoyed unusual opportunities to study federal personnel policies, has said:

> "Giving jobs by appointment to uncles, brothers, cousins and school chums—a method that reduces official Civil Service approval to a mere formality—has all but scuttled the merit system."

Testifying before Mr. Ramspeck's Committee, Civil Service Commissioner Arthur S. Flemming explained that, to relieve congestion in merit classification work, the department and bureau chiefs had been authorized to submit their own personnel records covering those they wished to employ. Without any investigation by the Civil Service Commission, these records then were certified as the basis of salary classifications. By this administrative device every protection of the sixty-year-old merit system was at once swept aside, and the manning of the so-called emergency agencies thrown open to nepotism and spoils. During the first six months following the 1942 elections, for example, fourteen defeated members of the House or Senate were appointed to federal executive jobs paying from $4,800 to $10,000 a year. This abandonment of the competitive merit system, established in 1883, goes far to explain our prevailing difficulties and confusions in federal administration.

Bureaus rule by executive orders. Unless invalidated by the courts, these orders are presumed to have the full authority of law. In January 1943 Representative Louis Ludlow of Indiana published in the *Congressional Record* a tabulation of 3,565 executive orders promulgated in the ten years 1933-1942. In the same period the total number of public laws enacted by Congress was 4,300. This study indicates that almost half our federal law now is written by the Administrative rather than the Legislative branch.

"Executive orders usually have their genesis in the bureaus and are expressions of bureaucratic minds," Ludlow told the House. "Those who originate them are not elected by the people. They do not represent anybody. They stand for their own peculiar ideas and hobbies and do not speak for any well-established philosophy or any political party. They are intent, as a rule, on promoting their own notions and enhancing their own powers. Many of them are theorists who think they know how to remake the world, but who overlook the laws of nature and the immutable principles of economics."

In the same vein, Undersecretary of War Robert P. Patterson has warned publicly: "In preparing for the offensive, we must never for a moment interrupt our watch over the fortress of democracy at home."

History demonstrates that in every bureau there is ingrained a cosmic urge to yeasty growth. Large or small, all bureaus soon are caught on the wheel of things. The development of OPA is typical. It began in April 1941 with

a staff of 84. By its first birthday the staff numbered more than 8,000. In May 1942, when general price ceilings were proclaimed, OPA sent up a budget estimate of $210 million for the fiscal year 1943. This estimate anticipated an enforcing and policing staff of 90,000 persons. Members of Congress then recalled that Administrator Leon Henderson had been asked before the Banking and Currency Committee, in August 1941, if the OPA program would not require ultimately a staff of 100,000.

"Oh, no!" he replied airily, "this bill will be practically self-enforcing."

Senator Byrd sees today's extravagant federal pay roll as a peril to America's victory program:

"It is imperative that the people of the United States become aware of this shocking abuse of manpower in the Federal Government, and that they promote the transfer of all unnecessary government workers to essential war industries. Unless this is done quickly, the over-staffing and inefficiency in the federal establishment will constitute a serious peril to our war effort.

"Excluding those engaged in mechanical and construction work, one may say that fully one-third of the entire remaining civilian personnel of the Federal government could be dismissed. Rather than impairing the necessary functions of government, this action would result in greater efficiency, provide manpower for industry and the armed forces, reduce the cost of government, and aid substantially in the successful prosecution of the war."

Although there has been a consistent trend of orderly

federal expansion over the last century, the increase of bureaus during the current decade has been on a scale previously unknown anywhere in the history of the world. From the establishment of the national government in Washington in 1800, the number of persons employed in the departments doubled about every twenty years, up to 1925. But after 1933 federal employment doubled in seven years—from 500,000 to a million. And after June 1940 it doubled again in eighteen months—to 2 million. Then another million were added in fourteen months more—to 3 million. During the last ten years the national population has increased by approximately 10 million, and more than one-fourth of that number have been added directly to the federal *civil* rolls!

This rate of expansion obviously overreaches both the practical needs and the economic resources of the nation. No matter how rich, no community can continue indefinitely to expand its governmental services wholly without regard to either population or economic growth.

Nor may we be consoled by the suggestion, often heard nowadays, that most of our recent expansion flows directly from the war and will be undone with the coming of peace. For then we shall have a whole new set of problems associated with world policing, rehabilitation and reconstruction. Already we hear in Washington of plans to convert the great civilian agencies of wartime administration to the work of peace—"Rationing must be continued indefi-

nitely. . . . Price controls must be maintained. . . . Lend-Lease cannot be abandoned." Already bills have been presented in Congress to expand social security, federal health and medical programs, and agricultural allocations.

The country recalls vividly that during the period 1933-1936 every new government program was established as an "emergency" enterprise to fight the depression. The implication was clear, and often stated officially, that the end of the emergency would bring demobilization of the costly programs. But the depression emergency merged smoothly with the greater war emergency, and now we see the war emergency merging again with the even more compelling emergencies of peace.

Long before he took over the reins of federal administration, Governor Franklin D. Roosevelt recognized a deep-rooted tendency toward perpetual expansion in government. From the State House at Albany, he warned in a radio address on March 2, 1930: ". . . if we do not halt this steady process of building commissions and regulatory bodies and special legislation like huge inverted pyramids over every one of the simple constitutional provisions, we shall soon be spending many billions of dollars more."

On the occasion of his second inaugural at Albany, in January 1931, Governor Roosevelt bluntly rejected a public petition that he enlarge the powers of the State to assume jurisdiction over local concerns of the cities and counties.

"I cite this," he said, "as an illustration of the present

dangerous tendency to forget a fundamental of American democracy, which rests on the right of a locality to manage its own local affairs—the tendency to encourage concentration of power at the top of a governmental structure, alien to our system and more closely akin to a dictatorship or the central committee of a Communist regime. . . . We have met difficulties before this, and have solved them in accordance with the basic theories of representative democracy. Let us not at this time pursue the easy road of centralization of authority, lest some day we discover too late that our liberties have disappeared."

At this point, Governor Roosevelt was very close in his basic philosophy of American government to the sentiment expressed in the 1912 presidential campaign by Woodrow Wilson:

> "The history of Liberty is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties."

In his 1932 presidential campaign, Mr. Roosevelt promised to consolidate and eliminate bureaus "to accomplish a reduction of not less than 25 percent" in federal expenditures. By executive order on April 25, 1939, he regrouped a number of agencies for economies estimated "at between $15 million and $20 million annually." Yet every year since 1933 has seen a fatter federal pay roll.

Looking forward to the presidency, Mr. Roosevelt declared at Sioux City, Iowa, on September 29, 1932: "I shall use this position of high responsibility to discuss up and down the country, in all seasons, at all times, the duty of reducing taxes." A month later, at St. Louis, on October 22, he pledged, "Rigid governmental economy shall be forced by a stern and unremitting administration policy of living within our income." Great economies could be realized, he declared in another campaign address, "by abolishing many of the innumerable boards and commissions which, over a long period of years, have grown up as excrescences on the regular system. These savings probably can be made to total many hundreds of millions of dollars a year." The logic and wisdom of such policies was self-evident, Mr. Roosevelt insisted, for "taxes are paid in the sweat of every man who labors, because they are a burden on production, and can be paid only by production."

But now, as Senator Byrd has said, every extravagance of bureaucracy "is cloaked in the pure white raiment of national defense."

In large measure our recent bureaucratic growth evolves from a new conception of American government—one in which an entrenched cabal of appointive officeholders undertakes management and direction of every aspect of national life. Many reputable critics have described this trend as a headlong movement toward totalitarian socialism. While this intention has been denied vigorously in the highest official quarters, the record yet discloses that

many federal experiments during the last decade have paralleled, in both form and substance, some of the programs of oppressive European dictatorship.

Thomas Jefferson, "the architect of democracy," foresaw these tendencies soon after the founding of the Republic. It was Jefferson who once warned, "Were we directed from Washington what to sow and when to reap, we should soon want for bread." At another point Jefferson admonished, "It is not by the consolidation or concentration of powers, but by their distribution that good government is effected." A general government of centralized powers, he predicted on another occasion, "ultimately would become the most corrupt on earth."

Grover Cleveland was following Jefferson when he warned from the White House:

> "We proudly call ours a government of the people. It is not such when a class is tolerated which arrogates to itself the management of public affairs, seeking to control the people instead of representing them."

President Taft, in 1912, moved toward a comprehensive reorganization of the federal establishment to nip bureaucracy in the bud. At that time the civil pay roll carried only 370,000 names. This effort was frustrated by the change in administration in 1913. Woodrow Wilson took up the Taft plan, but it was put aside at the outbreak of the First World War in 1914. After the war the Harding and Coolidge years were an unending struggle to get the

government machine back to manageable size. By December 1922 a reduction of 45 percent in federal personnel had been accomplished. Herbert Hoover then took up the cudgels against bureaucracy, with the slogan, "The manager's restless pillow has done more to advance the practical arts than all the legislation upon the statute books." He once observed that if all enterprise were managed at the efficiency level of the Post Office Department, the nation shortly would be in dire need for clothing and shelter.

As we survey our present bureaucratic tangles in food, manpower, labor, rubber, petroleum and transportation, we face the historical demonstration of that great truth elucidated by Woodrow Wilson for an earlier generation:

> "I have never found a man who knew how to take care of me, and reasoning from that point out, I conjecture that there isn't any man who knows how to take care of all of the people of the United States."

It is a maxim universally agreed upon in agriculture, that nothing must be done too late; and again, that everything must be done at its proper season; while there is a third precept which reminds us that opportunities lost can never be regained.

—PLINY THE ELDER

CHAPTER II

CRISIS IN FOOD

ABOUT a year after Pearl Harbor, wide-open spaces on the grocers' shelves and empty hooks in the meat coolers became a major war problem. Muddled government controls threatened a breakdown of food distribution throughout the United States. During the previous year some 50,000 retail food outlets had closed their doors—often because the owners could not keep up with the added clerical work demanded by price controls, rationing and inventory questionnaires from Washington. Labor was scarce and operating costs were mounting steadily, but selling prices were frozen under OPA ceilings. During the first quarter of 1943 about 5,000 grocers and butchers closed their shops every month. Many remote communities now are without a grocery store of any description; entire states have been

inadequately supplied with such basic commodities as meat, butter, lard or potatoes for two months in a stretch. In March 1943 Paul S. Willis, president of the Grocery Manufacturers of America, warned of a food shortage "so severe that it may lead to riots in several war production areas."

Trade surveys disclose five principal difficulties crippling food distribution—(1) shortage of manpower, (2) uncertain supplies, (3) badly adjusted price ceilings, (4) restricted transportation by boat, rail and truck, and (5) burdensome accounting connected with ration banking and government-controlled inventories.

Food handlers, wholesale and retail, never have been classified as *essential* war workers. Experienced manpower has been swept out of the industry at an alarming rate. During the last year some large grocery chains have experienced a labor turnover of 10 percent every *week*. This means a whole new working force five times a year! The normal peacetime turnover in this industry is about 10 percent a *year*. Thus, it now requires about fifty times the normal rate of hiring to keep stores manned. Women have been employed successfully in all retail grocery functions, but every store still must have at least one man for heavy lifting. Even that minimum has been denied by the War Manpower Commission.

A study of time consumed in ration accounting, special inventories and questionnaires from the government, plus ration banking, revealed that such work required, in

equivalent man-hours, the services of one full-time employee for each store—an average of seven hours and twenty minutes each day. This added work calls for a new labor force of approximately 30,000 persons in the chain stores alone, and perhaps 50,000 more in the larger independent groceries. Can we afford 80,000 men or women merely to fill out the weekly forms for Washington?

In most smaller stores, the business volume does not support an additional clerk for this work. The burden falls on the proprietor, after store hours. Unable to keep up with it, a Michigan grocer closed his business after forty successful years. "For the last six months I have been behind the counter ten hours a day, then up half the night filling in government forms. Sunday is required for inventory reports, ration accounts, or some new applications for coffee, sugar, or canned goods. I simply can't keep up with 'em." His case was typical of thousands.

A stop-watch study in Illinois disclosed that with point rationing of canned goods, an average of eleven minutes was required to clear each customer through the checker at the cash register. This gave an average of 44 customers for each checker in an eight-hour day. Before rationing, the checkers could clear about 25 customers an hour, or 175 a day. With point rationing of meat, the checker lines were further slowed down. But even before meat stamps had to be collected, grocers needed four times their normal force of cashiers to handle the same number of customers. In the chains alone, this called for 240,000 additional checkers to handle the same volume of business!

Current grocery closings are not usually reflected in the monthly reports on bankruptcies, because the shopkeepers do not wait for insolvency. They are not business failures. They simply find themselves confronted by overwhelming demands from the federal bureaus. Unable to compete with the war-industry wage scales for needed help, they pay their bills and quit.

In ordinary times the grocer sends his orders to the wholesaler perhaps a month in advance. He is reasonably certain the stocks will be delivered before needed. Today he cannot know what will be delivered until the truck arrives at his door. From day to day he must take what he can get. He must juggle point values in his buying so that his ration bank account will not be overdrawn. If certain perishable items do not move because their point values are too high, he must apply to his local ration board for permission to reduce point values to avoid spoilage. He then must report in detail the point value of the goods sold at reduced ration rates, and must apply on the proper forms for new tickets to make up the difference in his allowable rationed inventory. But such "bargains" never may exceed 2 percent of his total rationed inventory for any one month.

Counting different brands of the same staple, many grocers carry as high as 300 rationed items. Every retailer is required to post the point value of each item in stock. An official change in point values requires a remarking of every stock item on the shelves.

Dollars-and-cents ceiling prices also must be posted for

each item, and any change in these ceilings likewise requires a remarking of the entire stock.

The storekeeper must not only show in his monthly reports the volume of purchases in each item, but also must give "the name and address of his seller, and the points he gave up for each purchase." Any failure to conform to the letter of these orders runs into this make-'em-like-it language from the OPA regulations: "Persons violating any provision of this regulation are subject to criminal penalties, civil enforcement actions, suits for treble damages, and proceedings for suspension of licenses." Section 20 of OPA regulations provides that Washington may suspend either a wholesale or retail license "for such period as, in the judgment of the Administrator, is necessary or appropriate in the public interest."

When uniform ceilings prices were established for all markets, truckers and shippers of fruits and fresh vegetables began to divert their supplies from the great metropolitan areas to the smaller cities closer to the farms, thus saving freight and drayage. Within ten days these diversions reduced New York City's receipts of farm produce by approximately half. On one day in March 1943, for example, the New York State Retail Merchants Association recorded arrivals of 62 carloads of potatoes, as compared with 143 carloads on the same day of the previous year. Oranges were 10 carloads, against 21 a year earlier; fresh peas, 1 carload against 33; spinach, 6 carloads against 26; grapefruit, 10 carloads against 26. Total cars of all

fruits and vegetables on track in the New York market that day were 292, against 554 a year earlier.

About the same situation developed in poultry. The Agricultural Marketing Administration in New York reported arrivals of 24,069 pounds of dressed poultry on a given day in March, as compared with 146,139 pounds a year earlier.

Chicago reported 55 carloads of potatoes one day, against a normal arrival of 150 to 175 cars. Said the President of the Carlot Potato Association of Chicago:

"The price ceilings developed by some broken-down greenhorns in Washington are unworkable, and they have disrupted the orderly distribution of potatoes throughout the entire country. There is an adequate supply of potatoes, but the distribution system has been paralyzed."

Price ceilings on dressed meat at wholesale were fixed before livestock prices were frozen, then, as live prices continued to advance, the meat packers were squeezed against their earlier ceilings. By the spring of '43, packers showed a deficit of approximately 4½ cents a pound for every beef carcass slaughtered. Several hundred smaller slaughtering houses were closed by this price pinch. One small packer in Maryland told how his average daily slaughter had been cut from 175 to 50 animals.

"We've been here ever since the Civil War, but I don't see how we can stay in business under the present squeeze. I pay 18 cents a pound for livestock, and I get only 22 cents

a pound for it dressed under OPA ceilings. I lose 40 percent of the live weight in dressing. . . . If the OPA lawyers had consulted someone in the packing or slaughtering business when they were writing their meat laws, we wouldn't be in this jam."

By the same sort of official miscalculation, stock feeds were priced in relation to parity for wheat and grains, rather than in relation to meat ceilings. This formula made feeding costs so high there was no incentive to stockmen to increase their herds. Indeed, many curtailed their feeding programs. In all, this venture in managed economy produced a diminishing supply of meat in the face of a sharply increasing demand. Meat rationing then became inescapable, adding further to the costs of both slaughter and distribution.

In pricing dressed hogs, OPA set the figure at a level which made it more profitable to sell lard in the form of meat, instead of rendered. Dressed pork began to come into the butcher shops weighing about ten pounds more than normal per carcass. This extra ten pounds of meat represented ten pounds of potential lard. Under the government ceilings, however, the lard was worth $14.55 a hundred pounds, Chicago, while, sold as meat, the fat brought $26.50 wholesale. Could any packer be expected to sell his pork fat as lard at 15 cents a pound after the government itself had set a price ceiling of 26 cents for the same fat in pork loins? By this piece of bungling approximately a *billion* pounds of lard went to the butcher shops

instead of the rendering vats. That's the principal reason why there is now a shortage of animal fats. As one measure of recovery, we now have a nationwide kitchen-salvage campaign, to collect about one-third of the drippings which never should have gone to the kitchen in the first place. And the salvage campaign, of course, is another indispensable job for a new government war agency.

In its search for substitute vegetable oils, the Board of Economic Warfare created a special business association, chartered under the laws of New York, to bring in foreign supplies. The results are a military secret, but this agency did achieve the ultimate in alphabetical designations, the EGFVOFOBM—The Emergency Group for Foreign Vegetable Oils, Fats and Oil-Bearing Materials.

During 1942 the Grocery Manufacturers of America maintained almost daily contact in Washington with no less than twenty-one federal agencies—certificates, amendments, special orders, interpretations, from OPA, WPB, FSA, BLS, FCA, FDA, FWA, OCD, OLLA (Office of Lend-Lease Administration), USIS, and ODHWS (Office of Defense Health and Welfare Services). Senator Byrd has referred to these policing and enforcement agencies as our Third Army—"a new idea, strange to the American way of life, and foreign to its origins."

Representative Hatton W. Sumners of Dallas, Texas, Chairman of the House Judiciary Committee, blames bureaucratic mismanagement for our critical food situation.

"Crops are not being raised in Washington," he told the House in February 1943. "They cannot be produced on paper. We are already far advanced in the crop year. People to raise these crops are not in the fields. Cows to produce this milk are on the way to the slaughterhouse."

Sumners has been in Congress since 1913. His speeches do not average two a year. Yet he is one of the most influential members of the House. He cited field reports showing that approximately 3 million men had been drawn from our farms, half to the military services and half to war industries.

"I have talked to farmers all over the country, and the statement they make to me is that the acreage this year will be reduced 15 to 25 percent, because they do not have anybody on the farms. One year ago there were 137 retail dairies in Dallas County. When I was home last only 27 remained. There has been some talk about subsidizing dairy production. Well, you can't subsidize a cow into producing milk after she has gone to the slaughterhouse. . . . When we talk about bureaucrats we are not talking about the honest, earnest federal employee, who is conscious of the fact that he is not the governor of the people but their servant. We are talking about this bunch of people here who do not appear to know anything about American government, and care less. Some of them do not much more than get into this country until they are trying to tell us how to run the government. . . . It is conceded that extraordinary war powers must be given to the Executive, but that does not mean that advantage shall be taken of the public peril from without to cause public peril from within. We need all the powers moved away from Washington

that are not essential to the conduct of this war—back into the smaller units of government, and back into the hands of the people themselves."

In addition to OPA regulations, the grocers and butchers must keep abreast of the WPB, which regulates the production and distribution of shop equipment, refrigeration machinery, tools and appliances. They must regulate their delivery services in accord with the rules promulgated by the Office of Defense Transportation; they must conform to the packaging and labeling standards fixed by the Food and Drug Administration; their paper is governed by WPB, and their sugar quotas fixed every quarter by the Food Distribution Administration of the Department of Agriculture. Wages and hours are controlled in part by the Department of Labor, and in part by the War Manpower Commission.

During one week of March 1943, Washington orders touching grocers and butchers numbered 47, or about 8 every working day. Point values were fixed for meats; certain dried fruits and vegetables were taken off the point-ration lists; ration values were changed on 17 canned items; price ceilings were changed on herring cured in vinegar; WPB revoked 8 of its earlier food-control orders; under Food Distribution Order 41 the government commandeered the entire production of spray-process dried eggs; peanut prices were changed; retail markups were fixed for frozen fish; sales of seed potatoes were limited;

price ceilings were set for canned oysters; price regulations were extended on wheat flour and farina.

The mere text of this week's orders made about sixty mimeographed pages, and the brief condensation offered by the trade associations required twenty-two typewritten pages when single-spaced. Merely to read and digest the orders of the week would have required the full-time services of an attorney in every corner grocery.

What, for example, is Cheddar cheese? Here is the definition as set forth in Amendment No. 3 to MPR 289—OPA: "A clean, pleasant, mild aroma, a pleasing nutty flavor, a mellow, silky, meaty body, and a close, solid, uniformly colored interior." That makes it official. If you get anything less, you are entitled, theoretically, to take it back. It's not Cheddar unless it has OPA's "nutty flavor."

Meats for sausage and processed luncheon specialties also have vanished under ceiling prices. Instead of selling such meat at bargain differentials to the sausage makers, packers now are compelled to dress it for the direct market. The records of the House Small Business Committee indicate the extent to which these processed meats thus have been curtailed. A Philadelphia sausage maker told the committee his firm formerly operated 42 delivery trucks. "It now operates, as a result of OPA regulations, 12 trucks," the committee report said. Before the regulations became effective this company employed 150 men. "Its pay roll now carries 58 men."

Data before the committee disclose that these local dis-

tributors and processors normally handled about 40 percent of the total meat tonnage of the country. Under the present program most of them have become what one OPA official described as "necessary war casualties." The liquidation of this group of businessmen has left many smaller cities without any organized system of meat distribution, said a protest from the Pennsylvania Grocers Association. "This is particularly true as regards hams, bacon, sausage, lunch meats and similar staple items."

The National Association of Retail Meat Dealers, representing some 20,000 shops, has charged publicly that the meat price ceilings and distribution quotas "were worked out by class-room theorists without practical knowledge of the meat industry."

"It would be extremely dangerous to permit the men who have made such a mess of the situation to continue to add more blunders," their resolution concluded.

Under the law, agricultural commodities could not be put under price ceilings lower than "parity." When the time came to price honey, OPA discovered the Department of Agriculture never had determined "parity" for that item. What to do? The dilemma was solved by an interpretive ruling which declared extracted honey to be a processed food, subject to a price ceiling, whether sold by retailer, wholesaler, importer, bottler, or beekeeper. The same order, however, ruled comb honey to be an agricultural commodity, beyond the scope of OPA's price-fixing authority. The result was a ceiling price on strained honey,

but not on the original form of honey in the comb. These are the sort of details which make little bureaus big.

From the beginning, human nature in the raw likewise has been a problem for our national planners. A Maryland farmer, father of twelve children, walked into his village grocery with fourteen ration books. "I can't really afford to buy all this sugar, but if it helps the war effort, O. K." He took seventy pounds.

But such difficulties are relatively insignificant for the retailer beside the greater daily problem of reports, questionnaires and red-tape forms. In February 1943 the Byrd Committee reported to the Senate that in a period of six months OPA had "issued and requested statistical data on 7,715,229 report forms, exclusive of rationing forms and instructions." Yet OPA, in that period, was only one of forty-eight federal agencies sending out questionnaires to businessmen.

> "The Committee requested each agency to submit a complete list and samples of all questionnaires sent out. The responses show that a total of 7,025 separate and distinct government reports and questionnaires were required."

The OPA topped the list with 1,096 different forms. The War Production Board was next with 741. Then the Civil Service Commission, 437; Federal Communications Commission, 436; and so on down to the National Archives, with 1.

"The investigation of this committee indicated that many of these reports served no useful purpose; that a great many are filed away by government agencies and the information contained therein is not tabulated. . . . A large drug manufacturer testified that some OPA reports are impossible to fill out, both from the standpoint of time involved and ability to understand what is wanted."

For every American family the pinch on basic food supplies promises to become increasingly difficult throughout 1944. Given bountiful harvests, we shall have adequate basic nutrition at a standard somewhat lower than that enjoyed in 1943, just as 1943 was slightly below 1942. But our margin of food reserves now is so narrow that any considerable crop failure over a wide area almost certainly would compel a general revision of the 1944 food program, as calculated originally on the basis of anticipated normal yields. In short, we are gambling on hitting the jack pot for a third successive year—a rather long shot on which to base national policy touching the food supply not only of 135 million Americans but additional millions overseas.

"Next in importance to winning the war," said a special report by the United States Chamber of Commerce on November 19, 1943, "is the provision for an adequate food supply. In fact it may be asserted with assurance that without such a supply neither the war nor the peace can be won."

Six principal factors centering on federal wartime con-

trol dominate the 1944 food outlook. In approximate order of importance they are (1) shortage of farm manpower, (2) inadequate agricultural machinery, including maintenance and repair parts, (3) drastic curtailment of processing machinery, especially in meat packing, dairying, canning, milling, baking and bottling, (4) inequitable retail ceiling prices rigidly maintained in the face of steadily advancing raw products, (5) divided authority in food administration between WFA, OPA, CCC, OLLA, WPB, UNRRA, DPC and RFC, and (6) waste and extravagance in government food stock-piling and overseas allocation, plus the diversion of basic human foodstuffs to explosive alcohols, especially wheat, sugar and corn.

An official report of the Department of Agriculture in November 1943 disclosed that federal policies enforced a *reduction* of more than a million tons in the Western Hemisphere sugar crop for 1943, as compared with 1942.

"Comparing 1943 with 1942, three important changes are apparent," this report said, "a decrease of 554,000 tons in Cuban production, a decrease of about 475,000 tons in United States beet sugar production, and a decrease of about 100,000 tons in Puerto Rican production. The reduction in the Cuban production was provided for in the agreement and subsequent arrangements whereby the United States purchased the entire 1942 Cuban crop."

Thus did bureaucracy reduce our own sugar supply by a million tons in the year immediately following our loss of a million tons' production in the Philippines!

As a part of the meat-rationing program, OPA distributed a twenty-page booklet instructing butchers precisely how to cut each carcass. "These instructions require us to cut meat in a way it never has been cut before," said a Seattle wholesaler. "A man who has cut meat for fifty years is naturally indignant over these impractical orders, but he has to follow the regulations. Men of experience in this business are completely at a loss, because their practical knowledge is useless. Regulations are sent out from Washington that even our lawyers cannot understand, and yet these regulations are usually supposed to start the next day. When we call the OPA office to ask for an explanation, the local office confesses that it does not understand the regulations either, and more time is lost while they consult Washington."

Excessive handling losses, storage deterioration, and unmanageable stock piles also have characterized our wartime food program. Waste and extravagance have been part and parcel of lend-lease operations in foodstuffs, and at home Congress has investigated many reports of food spoiling in government hands, including 3,000 carloads of potatoes, 30 carloads of evaporated milk, 250 million bushels of wheat in the crop years 1941 and 1942. In addition, about 300 million bushels of wheat have been consumed this year for manufacture of industrial alcohol for explosives, plus some 625,000 tons of Cuban sugar.

In October 1943, when butter was unobtainable in sev-

eral large cities and available only in quarter-pound lots generally, an official report showed 221 million pounds of butter impounded in cold storage by the federal government—about 6.7 pounds for each of the 33 million families in the United States. Some of this butter had been in storage so long that it was unfit for human consumption. Part of it then was released to the dairy industry, to be churned up with additional fresh cream and sold at reduced point values as "processed butter." In this instance, the only function of government food management was to hold the butter in storage until it was stale and then pay for the reprocessing necessary to make it edible.

In November 1943 the Commodity Credit Corporation submitted to the House of Representatives an itemized statement covering "nonrecoverable losses" in government-owned food spoilage. This table included 2,739,000 pounds of dried beans and peas which had become moldy and weevil-infested; 295,000 pounds of wheat cereal; 234,620 pounds of strawberry preserves, moldy; 113,088 pounds of canned salmon—rusty cans; 121,600 pounds of potatoes—old stock; 138,750 pounds of fresh onions—decayed; 69,804 pounds of canned tomatoes—spoiled; 74,064 pounds of canned peaches—rusty cans.

Another list carried items spoiled but partially salvageable. This list included 1,939,000 pounds of rolled oats, damaged by rodents; 47,420 pounds of canned chicken; 240,000 pounds of canned salmon; 102,700 pounds of moldy beans.

At Zanesville, Ohio, 30 carloads of evaporated milk were on hand at least three months on government account when the cans began to explode.

"Examination disclosed that many of them have bulged due to gas formed inside," said a local report reproduced in the *Congressional Record* for November 19, 1943 (page A-5339).

"It was estimated by the Muskingum County Health Department that 60 or 75 percent of the milk had spoiled."

On Capitol Hill, advocates of a centralized Food Administration contend that such an organization could be made to pay its own way exclusively on food saved from spoilage at home and abroad, plus elimination of extravagance in the diversion of basic food items to industrial uses, for which by-products would serve as well, notably in the destruction of wheat, sugar and corn for industrial alcohol.

For the most part, waste and spoilage of foods is concealed by the responsible federal agencies, often on the ground that food stocks at a given point are a "military secret." Despite every attempt at secrecy, evasion and suppression, however, scattered instances of rotting food bob into the record almost weekly. On the whole, food waste and spoilage make an ugly chapter in our home front war record.

When the Truman Committee launched a Senate investigation of the food muddle, the testimony presented by experienced operators in every phase of distribution cen-

tered on five immediate steps to release once more the normal drives and energies of the American enterprise system:

First, adequate manpower must be made available to wholesalers, jobbers and retailers.

Second, price ceilings must be fixed at the production level, on a basis calculated to stimulate, rather than discourage, expansion; and the whole structure of price controls must be simplified to eliminate unduly burdensome bookkeeping and accounting.

Third, rationing easily could be relaxed or abandoned in many items once production and processing had been stimulated by a sound and profitable price structure.

Fourth, existing machinery must be utilized for the wholesale and jobber functions. Reform programs designed to eliminate the wholesale segment of distribution must be abandoned. Many of OPA's 2,700 lawyers could well be replaced by experienced food men, who could mobilize and co-ordinate the hitherto unmeasured skills and energies of the entire industry for the challenging war job.

Fifth, price controls should be directed, not to the elimination of profits or other socialistic objectives, but toward the movement of an ever-greater volume of goods.

Food is the human fuel which keeps every other war production line going. When the food lines jam, the whole war effort is threatened. Our American food industry,

stimulated by the competitive impulses of free enterprise, has built up over the years the best distribution system the world ever has known. No people approaches us in the variety and quality of foods normally available to even the remotest towns and villages. Nowhere have the normal profit margins of processors and distributors been worked so low.

But during the last two years all the experience and genius which developed this magnificent system have been ignored or flouted. Practical men have been hobbled with the chains of planners, reformers and administrative crackpots. Lou Maxon, Detroit advertising man and business executive, resigned as Deputy Administrator of OPA in July 1943 because he found the organization "so bound up in legalistic red tape that Houdini himself couldn't untangle it."

"There is a strong clique in OPA," he added, "who believe that the government should manufacture and distribute all commodities. They are using this war as a means of furthering their reform ideas."

Says Representative Eugene E. Cox of Georgia, a veteran of twenty-five years' service in the House:

> "The people of this country are beginning to resent what they believe to be the fact—that their government has, in large part, been taken away from them and delivered into the keeping of an alien and alien-minded group, wholly unfit for the work they have been assigned to do, and for the offices to which they have been appointed."

In the same vein, Representative Howard W. Smith of Virginia has called for a revitalization of the Washington administrative machinery along the lines of traditional American government. "We must bring these administrative rules and orders back within the bounds of due process," Smith said in outlining his program for a special committee to investigate bureaucratic excesses.

"Our inquiry is in response to an almost universal complaint throughout the country that various persons employed in the executive agencies are daily exceeding the authority granted them by Congress or by the executive orders which created the several administrative units. Of course, we are at war, and we must win it. But I do not want this country to awaken after we have won the war and find that we have lost the form of government that was founded here 150 years ago. We should be very careful in this Congress to take every step that is necessary to see that our form of government is preserved during the emergency."

And now about the caldron sing,
Like elves and fairies in a ring,
Enchanting all that you put in.

—MACBETH, IV, i

CHAPTER III

PLANNERS' DREAM WORLD

EVERYBODY in the War Manpower Commission knew there would be trouble when time came to sell the wastepaper. The Office of Civilian Defense insisted the paper be sold, as part of the national conservation drive. But the Office of Price Administration had put a ceiling on wastepaper, and the bidder for the War Manpower Commission's trash had offered a price somewhat higher than the OPA ceiling. What happens when one bureau violates the regulations of a second in response to the patriotic appeals of a third? WMC suspected it was grief any way you looked at it, and that turned out to be the case.

In due course the paper was sold and carted off to be reduced to pulp. But when the documents reached the General Accounting Office the whole transaction was declared null and void, and remanded to the War Manpower Commission to be renegotiated at a price no higher than the official ceiling. A refund was in order to bring

the government selling price in line with the government price ceiling, Comptroller General Lindsay Warren ruled.

Some three weeks later the War and Navy Departments discovered that certain price ceilings were obstructing their urgent military purchasing programs. They demanded instant relief, which came under date of June 23, 1942—Amendment No. 5, Part 1499.29 (a) (9) to Supplementary Regulation No. 4. This rule provided:

> "Purchases by the United States Government for immediate delivery of any commodity for which there is an emergency need are excluded from the General Maximum Price Regulation."

This simple legal device at once exempted the government purchasing agencies from all price ceilings, but still left the federal sellers subject to OPA regulations. It meant that the government could buy at any price necessary to command the goods, but could sell only at, or below, the official ceilings. It thus came out at a loss for the taxpayers, which made it pure Washington.

But this order likewise exempted the biggest buyer in most markets of the day from price ceilings, leaving all business buyers the privilege of taking what might be left at the official ceilings. Obviously the government is justified in exempting itself from emergency regulations wherever necessary to the successful prosecution of the war. But if the government at times finds its own rules onerous and unworkable, perhaps there may be something to the ago-

nized plaints of businessmen that excessive federal controls sometimes retard war production. In any event, the record shows that the government finds it necessary on occasion to get out of its own strait jacket. This it does by a swish of the pen over a new executive order. But when a businessman, facing stiff daily penalties for delayed delivery on his war contract, steps out of the same strait jacket he risks a fine of $10,000 or two years' imprisonment, or both.

Such was the posture of affairs which caused Mr. Walter Lippmann, after an on-the-spot survey of rationing, price controls and priorities, to describe Washington in ancient Biblical terms—"the name thereof was called Babel, because there the language of the whole earth was confounded." What had happened? Merely this: A fantasy had come to life, as in *Snow White and the Seven Dwarfs.* All of a sudden the planners' dream had leaped from the drawing boards to become a living, breathing thing in a world at war—a bewildered and hysterical bureaucracy running amuck with unlimited emergency powers, unmeasured appropriations of public monies, executive orders, directives, and sonorous proclamations signifying chaos.

"It is true, as the Truman Committee points out," said Mr. Lippman, "that it had to go to seven separate agencies to find out about the rubber program. But if it takes seven agencies to deal with the problem—and considering its complexity it may take that many—there is no reason why

the seven of them, not to mention the White House when the President is in a playful mood, have to emit separate streams of speeches, interviews and publicity releases."

At that point the rubber program was being administered, if that's the word, by the War Production Board, Reconstruction Finance Corporation, Defense Supplies Corporation, Department of the Interior, Office of Defense Transportation, Office of Price Administration and the Department of Agriculture. Mr. Lippmann suggested that the chiefs of these agencies be locked in a room, to live "on bread and water until they have agreed on what they are going to ask the American people to do about gas and rubber. For while we are fighting a seven-ocean war, we just haven't the time and energy to struggle with seven publicity machines on the subject. . . ."

The Truman Committee's report, as delineated by Mr. Lippman, plus the special report of Bernard M. Baruch, resulted in the establishment within thirty days of a unified rubber program under direction of Mr. William H. Jeffers, President of the Union Pacific Railroad. Before another year had passed, Mr. Jeffers was able to point to new production capacity for 850,000 tons of synthetic rubber annually, already more than 60 percent completed and the whole to be in production by January 1944. But between Pearl Harbor and the appointment of Mr. Jeffers, our seven part-time rubber administrators and their seven publicity councilors had allowed seven precious months to get away from them without turning a wheel. That was

the only rubber crisis the United States ever experienced—the crisis of many tongues articulating through seven different departmental mimeographs.

For weeks on end during this interval there were flashes of official incident which crowned the whole rubber muddle with an air of unreality. It simply was comic opera in full dress. Yet real it was, for tires were wearing thinner every day, and long-distance truckers were wondering out loud how molded bands of balsa wood might work. At this juncture, Mr. Leon Henderson livened the scene with the informal observation: "Thin tires? Why, say, mine are so thin that when I run over a piece of old gum in the street, I can tell what flavor it was!" To which Bruce Barton, unamused, responded phlegmatically; "Well, it looks like we're back to the horse-and-buggy days we've been hearing so much about; only now we've got no horses."

Thus ran the merry game of global war in the never-never land of the District of Confusion during the sweltering summer of '42. So when an important and long-established bureau got lost for ten days, nobody worried much, certain that eventually it would turn up. And, sure enough, it did! It was the United States Public Health Service, which had been established in 1798. Until July 1939 it had operated as a bureau of the Treasury, then was transferred to the new Federal Security Agency. Long housed precariously in the darker nooks of the Treasury, Public Health had moved proudly, in 1932, into its own spacious building on Constitution Avenue, an altogether adequate

and appropriate edifice magnificently equipped with laboratories, shops, a fine library and modern technical apparatus.

But 1942 saw PHS gradually elbowed out by the United Nations Joint Board of Strategy, which first commandeered a few rooms, then a whole floor. The Joint Board of Strategy grew and grew. Piece by piece, PHS was transferred to the five sections of the abandoned Naval Hospital, built as a temporary structure during World War I. The special Public Health Library, meanwhile, had been removed to the National Institute of Health, in suburban Bethesda, Maryland.

During the moving interval there were no telephones connected at the old Naval Hospital. The Joint Board of Strategy used the Public Health telephones, connected through the switchboard of the Federal Security Agency. Long-distance calls from Public Health's 900 field agents reporting last week's measles and whooping cough thus were routed to the United Nations Joint Board of Strategy.

"But where's the Public Health Service?" was the inevitable next question.

"They've moved out to Bethesda, Maryland, with the National Institute of Health," responded the Federal Security operator, remembering that library transfer. The next call revealed that the buildings and driveways at the National Institute of Health had not yet been completed. The contractor was still in charge. He did not know that the Public Health Service had been moved from its own

building on Constitution Avenue. The Office of Government Space Control, Department of the Interior, disclosed at length that PHS had moved to the abandoned Naval Hospital, four blocks up Constitution Avenue. The telephone lines were untangled in ten days, but no new directory listing was possible for four months. The United States Public Health Service simply had vanished!

At completion, this little episode in bureaucratic coordination and decentralization left the temporary Strategy Board in a permanent laboratory and medical building, and a permanent laboratory and scientific agency in a 1917 temporary hospital void of technical equipment. For a time it left the Joint Board of Strategy answering the phone calls of the Public Health Service, while PHS, dissected and incommunicado, writhed in the agonies of something approaching amnesia of the Space Control—"prisoners of war," as one veteran health officer put it.

One never was able to determine what the Joint Board of Strategy did with Public Health's X-rays, fluoroscopes, and refractometers. An atmosphere of military secrecy soon settled upon the place, and too many questions only complicated great affairs of state. Besides, there were other matters of pressing national concern.

There came, for example, the question of calico for the Seneca and Mohawk tribes. Under a treaty with the Iroquois Confederacy in New York State, concluded on November 11, 1794, the federal government was under obligation to deliver $4,500 worth of calico to the tribes every

year. When Indian Commissioner John Collier undertook to discharge this obligation in 1942, he ran up against WPB's textile priorities and allocations. This made for some delay, and soon the tribal elders were in Washington with the old treaty parchment listing pugnaciously from an overcoat pocket. Hasty legal research at the Interior Department revealed that treaty obligations are paramount to domestic law, whereupon Mr. Donald M. Nelson authorized the withdrawal of some 28,000 yards of calico from military reserves. That's the sort of detail which takes a fellow's time in the bureaus. One never can be sure that the official text really covers every possible situation.

Invariably our national planners are annoyed when human beings do not perform as the Washington blueprint anticipates. Finespun social and economic theories place new communities on the hilltops with a sweeping view of the river, but when the folks come along they sometimes prefer the lowlands or swamps, near the roads, or hard by the train station.

When the government, in 1941, built a $45-million ammunition loading plant in a cornfield near Kingsbury, Indiana, the Defense Housing Corporation assumed most of the 10,000 new workers would live in Kingsbury, population 200. Anticipating this influx, the Federal Works Administration authorized a new water and sewerage system at Kingsbury, to cost $129,000. Plans and specifications

were approved, the site acquired, foundation sunk, the shell of a brick building erected. By this time, however, it was discovered that the incoming workers were settling in La Porte, twelve miles away. Since Kingsbury then had no housing problem, the new sanitary system was abandoned.

Meanwhile, the Defense Housing Corporation had approved plans for an entirely new community two miles away, to be known as Kingsford Heights. On paper, this community would accommodate 10,000 residents. Instead of moving the imaginary housing project to the brick and steel sanitary system, the Federal Works Administration decided to abandon the partially constructed water works and start all over again at the new housing site. By this maneuver the planned water system was brought to the site of the planned community, a very happy development—on paper. All the bureaus were glad to see the two projects at last in the same general geographic area. True the whole thing still was on paper, but the master plan was beginning to make sense.

Fortunately, the ammunition plant itself had not been planned. It simply had been built by the Army, and had been in production several months when the first spade of earth was turned for the model housing project. By the time the planners actually got the houses up and the water system pumping, Kingsbury ammunition was helping win the war in Australia, England, Libya, Murmansk, Madagascar and Martinique. Some months later the abandoned

shell of the first Kingsbury water plant went for scrap—also to help win the war. It was a nice war-housing project, but nobody knew for sure which war was to be housed. "I think they mean housing for the next war," said one dismayed construction foreman.

Another facet of war housing came to light in surburban Virginia, to illustrate how government itself, no less than private enterprise, often trips over federal regulations. Owing to WPB metal allocations, the Federal Works Agency installed 50-gallon fuel tanks in the Cameron Valley project. As the severe weather came on in 1942 it was discovered that the small tanks, in place of the usual 300-gallon units, required oil deliveries twice a week, instead of every two or three weeks. With 200 dwellings to service, the oil distributors found themselves using about four times their official allotments of gasoline and rubber, as fixed by the Office of Defense Transportation. Unable to gain exemption orders promptly, they were compelled at length to withhold all service from the government housing project.

"The situation has caused real suffering in these homes," said a Cameron Valley official. But he was helpless amid many plans. Metals had been saved in conformity with the WPB order limiting construction allocations. Yet the end result was in head-on collision with both the gasoline rationing program of OPA and the rubber-saving mileage allotments of ODT. Eventually the exemptions were forthcoming, and oil deliveries were resumed. But

not without conferences, hearings, questionnaires, legal analysis and official certifications.

Such has been the fate of every plan to date—something forgotten, or something miscalculated in the hasty trial-balances of cosmic bookkeeping. In particular, of course, nobody is to blame. In general, all bureaucracy is at fault. For it has been demonstrated many times, on every scale of national operations, that no one mind, nor any set of official expert minds, ever can comprehend and arrange in proper sequence and relative merit all the needs, demands and exemptions of a whole people. The French bureaucracy of the eighteenth century tried it, and enforced their heady edicts to the point of national prostration. Of that disastrous experiment as viewed in the perspective of history, Balzac has said:

"Bureaucracy holds all things in leading strings. It stifles men of talent who are bold enough to be independent of it or to enlighten it on its own follies."

In no small part our own wartime difficulties, which also have led in the direction of national frustration, flow from the fact that Washington's recent experimental urge in government has been regarded as an invitation and a license to every brand of social and economic crackpotism recorded in history's voluminous dictionary of human folly.

When the Dies Committee, for example, discovered a ballet dancer on the pay roll of the Board of Economic Warfare at $5,600 a year the question arose, What are his

duties? Inquiry developed that he was an "economic analyst," charged with responsibility to determine what products may be exported and imported in relation to available shipping space.

"Now there is no inherent reason," as the New York *Times* observed editorially, "why a ballet dancer, if his energies and versatility are equal to the task, cannot also be a good economic analyst, or vice versa." But the question still would remain what kind of an economist any particular ballet dancer might be, especially on the matter of wartime imports and exports for a nation of 135,000,000 people. In 1936 this particuliar economist had presented at Town Hall, New York, a monodrama of the dance, including the episodes "Red Army Speaks" and "Peasant Comes of Age." As long ago as 1924 he had conducted "rhythmic ritual services" for a group in New York, at which time he also had been quoted in a newspaper interview to this effect:

> "When you conceive of a community, all members of which are swayed by kindred emotions of awe and wonder, expressing themselves through plastic bodies moving rhythmically, the picture is staggering."

Maybe that's where our international calculations ran off the track. For certainly, somewhere along the line, our economic analysis had gone awry in the Pacific. We had been shipping precious industrial metals to Japan in thousand-ton lots for some four years prior to Pearl Harbor,

precisely at a time when we also were aiding China by every device at our command to put down Tokyo's hateful totalitarian aggression.

This topic since has been explored at some length in the debates of Congress. Representative James E. Van Zandt of Pennsylvania pointed out that between September 1939 and December 1941 the United States spent more than $281 million for fortifications, armaments and defense works in our Pacific islands, notably Hawaii, Midway, Wake, Guam, Samoa and Palmyra. For this period of twenty-seven months, Mr. Van Zandt tabulated no less than 174 different authorizations and appropriations for new military installations in our Pacific possessions, exclusive of all funds for the Philippines and all subsistence and routine maintenance allocations for the entire area.

But while we were thus buttressing our defenses at the rate of more than $10 million a month, we also were building the Japanese war machine with American scrap metals. Representative Daniel A. Reed of New York has itemized this aspect of our global economic planning in some detail, as set forth in the *Congressional Record* for July 9, 1942, beginning at page A-2869, as follows:

"Japan launched her murderous assault against China on July 7, 1937. During the period from 1937 through 1940 we exported to Japan 8 million tons of scrap iron, steel, and scrap steel, and also thousands of tons of other essential war materials. The very year—1937—that Japan opened war on China our exports of scrap iron and steel

amounted to 2,081,037 tons, or enough to build twenty battleships of 45,000 tons each, two hundred submarines of 2,400 tons each, ten aircraft carriers of 30,000 tons each, and twenty-six cruisers at 15,000 tons each. The next year, 1938, our scrap and steel exports to Japan were 1,463,000 tons; 1939, 2,179,000 tons, and 1940, 1,248,000 tons."

At that point the U. S. foreign trade statistics, normally published every month by the Department of Commerce, became a "military secret." No figures are available as to our metals exports to Japan in the first eleven months of 1941.

Congressman Reed went on to say:

"While this appeasement program toward Japan exhausted our supply of material with which to make steel for our own defense, it armed her to strike her dastardly blow at Pearl Harbor. . . . More than this, the appeasement policy did not stop with furnishing Japan the material to build her navy, her air force and her tanks. There was also exported to Japan from the United States during the year 1937, aircraft and parts valued at $2,483,946; and the next year, 1938, $11,062,777; in 1939, a total of $3,306,000 in these items; and in 1940, $933,000.

"During these same years we also exported to Japan petroleum valued at $219,856,062, with which to operate her war machine. It is interesting to note that of this vast shipment of petroleum, 555,456 barrels of it was aviation gasoline in 1939, and 776,499 barrels in 1940. The extent to which the appeasers went in arming Japan is disclosed by the official figures relating to the shipment of cotton, aviation gasoline, iron and steel scrap, steel ingots, blooms, tin plate and tin scrap, refined and scrap copper, motor trucks, aircraft parts, ammunition and machine tools."

Representative Reed's itemization of our copper exports to Nippon showed a total of 717,277,918 pounds for the five years 1936-1940, on a refined basis, beginning at about 5 million pounds for 1936 and swelling to 249 million pounds in 1939 and 233 million pounds in 1940.

"Does any responsible person believe," Congressman Reed pressed, "that without this vast quantity of war material, furnished by the United States to Japan, she could have held out against China for five years? What would have been the history of Pearl Harbor, Midway, Bataan, Corregidor, and the Dutch East Indies, if, instead of arming Japan, the same materials had been used by our government to build up our own defenses?"

The Army, at least, sometimes wonders. An officer inspecting the havoc at Hickam Field, Honolulu, on December 8, 1941, picked up a jagged fragment of a Japanese aerial bomb.

"Well," he observed ruefully, half to himself, "there's a piece of the old Sixth Avenue L."

In defense of bureaucracy it may be argued that the Board of Economic Warfare was not in existence during the years of our great war-material exports to Japan. On the other hand, many of these gentlemen were in other branches of the government, usually in planning divisions functioning under the Department of Agriculture, the Agricultural Adjustment Administration, the Works Progress Administration or the National Resources Planning Board. At no point was there any dearth of plans and

blueprints. The crux of the matter was, in all probability, that our ballet dancers and their colleagues always were planning for things that never happened.

That's the first indictment against crackpot bureaucracy—that, for example, out of more than a thousand civil airports built by CWA and WPA in the years 1933-1939, only thirty-one were large enough to land a military fighter! Thus led by woolly-minded reformers and uplifters, mighty America had been carried through a dream-world of plans and projects to the very brink of national disaster. Her recovery to twentieth-century reality is written in blood, sweat and tears.

A teammate of our ballet dancer in the economic analysis section of the Board of Economic Warfare was a "gymnosophist." His salary was $5,600 a year. Now a gymnosophist, in everyday language, is a nudist or advocate of nudism. This particular economic analyst had written a book called *Nudism in Modern Life,* which, while officially listed in the catalogue of the Library of Congress, was circulated only on a restricted basis. There had been lively discussion in a committee of Congress whether some of the illustrations were photographs or pornographs.

The book explained that while nudism was not necessarily an expression of Communism, the gymnosophist colonies did furnish excellent opportunities for experiments along Communist lines, "some of which may be successful." The section on the corset offered a stimulating bit of

economic analysis focusing more or less upon the "secondary sex characteristics" of women between twenty and forty years. It was a matter for concern, if not alarm, that in most modern nations the church and clergy usually are entrenched strongly in positions of moral influence; nevertheless there was some hope that schools, clubs and military barracks "exclusively for each sex" ultimately would disappear.

Soon after this work had been resurrected by the Dies Committee, the Board of Economic Warfare was reorganized. The nudist and the ballet dancer were dismissed. But for months many of the policies which their studies and surveys had initiated continued to roll along, not only in our domestic economy, but in the larger fields of lend-lease, postwar planning and world reconstruction.

Every emergency agency sheltered its active cell of billion-dollar thinkers. "Irresponsible, unrepresentative, crackpot and radical bureaucrats," Congressman Dies called them.

"Our long-time aim is the abolition of the profit system," wrote one of the planners of the Research and Power Planning Branch of the Department of the Interior. When the next appropriation bill came along in the House of Representatives this fellow's salary was whacked off; but it was restored by the Senate, after a personal plea by Interior Secretary Ickes.

Another long-range planner in the Interior Department had written:

"Everyone familiar with American agriculture must know that the most hazardous situation possible to a man of family is to have the fee-simple ownership of land."

As related by a member of the Appropriations Committee to the House, an Indiana business manager journeyed to Washington for a special order. In the course of the negotiations he had been told by an administrative Section Chief in OPA: "You represent a rich company, but it will not be so rich after a while. Capitalism in this country is doomed."

The chief economist of the National Labor Relations Board was identified as an affiliate of the Conference for Progressive Labor Action, the "true goal" of which was declared in its literature to be "the complete abolition of planless, profiteering capitalism and the building of a workers' republic." Despite vigorous formal denial of sympathy with such a program, this economist was removed from his NLRB berth by Congressional mandate. But he soon reappeared on the federal pay roll, this time in the War Production Board.

A "business analyst" in the Board of Economic Warfare was carried at $4,600 a year. His assignment was to discover and stimulate development of new sources of imports to replace essential war materials cut off by the Axis conquest of Europe and Asia. Investigation disclosed that two years earlier this operative had been a messenger in the Washington Navy yard, at $1,080 a year.

When these and many like facts were presented before Congress, our American Communist-front organizations unleashed a whirlwind of denunciation and invective against the Dies Committee, in pamphlets and over the radio. In due course this smear campaign likewise was investigated. One telegram which came to light through the files of the National Federation for Constitutional Liberties was signed simply "Morris." It read:

> "ASSUME YOU ARE ADDRESSING PAMPHLET ENVELOPES TO CONGRESSMAN AND GOVERNMENT OFFICES. TELEGRAM RECEIVED FROM ELEANOR ROOSEVELT SAYING, 'IT IS A VERY GOOD PAMPHLET.' "

Over a period of five years the Dies Committee submitted to Congress the names of 1,678 federal pay-rollers it had identified as members or affiliates of Communist or party-line organizations in the several departments and agencies of the federal government. Impressed, Congress added an extra $100,000 to the Department of Justice appropriation in 1941, earmarked for a special investigation of such federal personnel by the FBI. As a result, the Attorney General at length sent a memorandum to the chief of each bureau or agency listed, setting forth the theories and known affiliations of the government employees investigated in his administrative jurisdiction. Five of these alleged Communist affiliates were receiving salaries of $10,000 a year or more; eight received $9,000 a year; more than two hundred received $4,000 or better.

"The evidence I am submitting to you, Mr. Attorney General," Chairman Dies wrote under date of October 17, 1941, "indicates that there is a new influx of subversive elements into official Washington."

Here is the distribution of these federal employees by principal departments and agencies:

Department of Agriculture	207
Federal Security Agency	145
Department of Labor	98
Federal Works Agency	72
Department of Commerce	70
Treasury Department	56
NLRB	49
District of Columbia	46
SEC	44

So the tabulation ran, through every segment of the federal establishment.

But the Attorney General's memoranda to the Department Chiefs, unfortunately, were "strictly confidential." Congress never was able to determine clearly what happened. All that is shown in the public record is that eight of the first ten persons known to have been removed from their pay roll connections by this investigation soon reappeared in other divisions of the federal establishment, as detailed in Chapter XIII.

Similarly, when Congress abolished the National Resources Planning Board in September 1943, twenty-two of its twenty-nine top administrative officers were trans-

ferred to other executive agencies, all at salaries ranging from $5,600 to $8,750 a year; this provoked the Indianapolis *News* to comment, "But the planners plan far better for themselves than they do for the people. The pay roll proves it."

The protective mechanisms developed over the last decade by Washington's bureaucratic underground seldom fail. A planner may be fired, but he's never out of a job.

As every trade and craft develops its own jargon, so has our new guild of world-of-tomorrow men called forth strange language symbols to project their official cerebrations. As Robert J. Landry once presented the picture for his CBS radio audience, "No co-ordinator in Washington would dream of doing any co-ordinating until he had received a directive."

Edgar Ansel Mowrer, the distinguished foreign correspondent of the Chicago *Daily News,* detected this language development on his return to the Capital in 1942, after some twenty-five years abroad. Groping his way through the bedlam of temporary war buildings along the Mall, he heard the beginnings of a new tongue—*bureaucratese,* he called it. Within a month he had assembled a considerable glossary of terms never heard before in his years of wandering up and down the world: *administrative imperative . . . directive . . . layer of operations . . . second distribution level . . . cut across departmental lines . . . spell out the procedure . . . over-all policy . . . executive authoriza-*

tion . . . administrative exemption . . . secondary appropriation . . . budget clearance.

There were many others. When a going program is transferred by executive order from one agency to another, the dispensing officer tells the receiver, "It's alive in your lap." When a dossier must be reviewed by several bureaus before a new activity is launched, it is passed from department to department for "readers' initials." When an agency is under the Congressional spotlight, all routines are "double checked" against any misstep. At such times the bureau workers report "a bang-up show at our shop." When a bureau chief is summoned before a Congressional investigating committee, his subordinates ask, "Who's going to carry the ball for the Old Man?"—meaning who will defend the agency on the floor of the House or Senate. When, in 1942, the emergency agencies began to issue more priority certificates for copper, steel and aluminum than could be honored with actual metal, the condition was described as "priorities inflation."

"A flood of high ratings is interfering with the efficient flow of vital materials to U. S. war plants," *Iron Age* reported on May 28, 1942.

Trade circles attributed this difficulty to the fact that too many shoe salesmen had been taken on as metallurgical specialists. And this suspicion appeared to be confirmed by the report of Professor Hugh S. Taylor, chairman of the Department of Chemistry, Princeton University, who had devoted some time to an analysis of our national position

in oil, tin, rubber, sugar, manganese and aluminum.

"There is definite evidence," said Professor Taylor, "that among those responsible for official decisions in such matters, the necessary technological background for quick and effective action is sadly lacking."

In the same vein, Representative Robert Ramspeck of Georgia, Chairman of the House Committee on Civil Service, said in a special report in March 1943:

> "Few of these people have the first requirements for public service. In the case of OPA, their incompetency has been responsible in large degree for the hideous blunders of which that agency has been guilty."

Every business caller at the War Production Board is given a "time control slip" showing his name, firm, home address and the room number of the Section Chief he is to see. The Section Chief stamps the *in* and *out* time on the back of the slip, which then must be returned to the guard at the building exit. These slips are audited every evening by the Division of Inquiry Control.

When the Office of Production Management was changed overnight to the Supplies, Priorities and Allocations Board, the Division of Inquiry Control lost track temporarily of several administrative sections. During this interval of co-ordination a modest and inoffensive businessman from Quincy, Illinois, came to Washington to conclude some priority negotiations he had been conducting by mail for six or seven weeks. He knew there lately had

been some pretty violent shifting of the initials along Pennsylvania Avenue, N. W., but was not quite clear in his mind that OPM simply had been liquidated. Somewhere, he consoled himself, he would find his man. He tried SPAB in the morning and OPA in the afternoon, but no luck. Most people never had heard of such a section. In desperation, he asked a taxi driver if there were any other alphabetical war agencies.

"You bet," said the accommodating driver, pulling from his pocket the current week's printed street directory of emergency bureaus. "There's OEM; one part of it's at Twenty-fifth and Q, and the other at Twentieth and New York Avenue. There's one part of FHA at Fourteenth and L, and another part at Vermont and K. Part of OPA is down in the old Traffic Court, on Indiana Avenue, and the rest of it's in the Social Security Building at Fourth and Independence, S. W. Then there's the U. S. Information Service at Fourteenth and Pennsylvania, the Office of Facts and Figures over at Eighteenth and H, and the Office of Government Reports at Fourteenth and G. Where would you like to go first, Mister?"

The modest businessman consulted his watch reflectively.

"Take me for a ride slowly around Lincoln Memorial," he said quietly, "and then to Union Station. I think I'll write 'em from Quincy."

Bureaucratese never wants for words to tell precisely what the planners have in mind, but the dullards among

us on the compliance side often have to read it twice. There was, to illustrate, the rule of crop quotas on subdivided farms. When a plot is sold off in parcels, each segment carries a proportion of the year's production allotment—much as water rights go along with irrigated acreage. Bureaucratese gives us the following formula for computing new-farm crop quotas (Section 727.222, *Code of Federal Regulations,* 1939 supplement, p. 639):

> "The acreage allotment for a new farm shall be that percentage of the normal acreage for the farm which the normal acreages for all such farms is of the acreage available for allotment to all such farms in the United States."

As soon as the new farmer has applied this formula, he may petition for his official crop allotments; and when the allotments are certified in due form by the county committee he may proceed to plant his land.

Another arresting example of perfected bureaucratese is found in Maximum Price Regulation No. 393, Amendment 1, as proclaimed by OPA on September 8, 1943, effective September 14th, as follows:

> "The maximum price which a manufacturer may charge to any class of purchasers for any packaged cosmetic priced under the General Maximum Price Regulation shall be the maximum price established under the General Maximum Price Regulation for sales of such packaged cosmetic by him to a purchaser of the same class."

As grandfather used to say to the lightning-rod salesman, How's that again?

Not infrequently, the honorable courts are at a loss to interpret the typewritten statutes of bureaucratese. In a routine bankruptcy case, the U. S. District Court at Cincinnati found itself with some machine tools to be liquidated. But all machine tools long since had been placed under priorities and price ceilings. The Tool Section of OPM directed the court to allocate the machines to the East Dayton Tool and Die Company, which held A-1-a priorities for war production. But next day, OPM's Aircraft Branch awarded the machines to the Steel Products Engineering Company, which also held A-1-a priorities for the production of bomber gun turrets. Unwilling to decide the merits of these competing priority orders, the Court referred the whole docket back to OPM. In the end the Tool Section's order to the court was withdrawn. The Aircraft Branch got the tools. The court came off whole.

Nor is the bureaucratese tongue any less meticulous in its descriptive functional designations. About fifteen months after President Roosevelt signed the Lend-Lease Act, the Washington *Post* reported:

"The British Purchasing Commission, which does very little purchasing, has changed its name to the British Ministry of Supply. It will be known as BSM."

Every so often the Washington kaleidoscope falls apart for an instant, during which we are privileged to contemplate, more or less reflectively, the frozen scene of planners at work. One such rare image came in the spring of '42,

when the War Labor Board announced a wage increase for General Motors. Walter Reuther and James Matles, CIO officials, requested permission to use the WLB's mimeograph for their exulting press statement. A clerk showed them the machine and clicked the switch, but the motor didn't respond.

"Never mind," said Reuther, "we can fix it. I grew up as a toolmaker, and Jim is an expert electrician."

Although Reuther had drawn up the OPM plan to convert the entire motor industry to war production, he could not conquer the reluctant mimeograph. The pair struggled bravely for a time with various gadgets, then decided to operate the monster by hand. Reuther still was cranking and Matles feeding paper when the WLB operator returned from lunch. Stooping over, he pushed in the disconnected plug. The machine whirred in a sure, strong rhythm. The job was done in no time.

When all retail stocks of automobiles were frozen by OPA, dealers ran to Congress in panic to declare that both engines and tires would deteriorate faster in dead storage than under conservative use. From coast to coast tens of thousands of new cars were sitting in cornfields. After an investigation by the House Interstate Commerce Committee, Representative Charles A. Halleck of Indiana led the floor fight to unfreeze dealer stocks.

"Certainly there's no economy in allowing these cars to rot and rust in the pastures," he said. "Why, only last Saturday out here in near-by Maryland I saw a farmer

crawling through his field weeding about four acres of Buicks."

The first rule of planners is "Do as I say, not as I do." Chilled to the marrow on a dull day in the newsroom at 65 degrees-Ickes, a Washington *Star* reporter set out one afternoon to record office temperatures in the federal buildings. Henderson's OPA registered 80 degrees, and the corridors of Ickes' own Interior, 81. When the heat became suffocating, stenographers opened the windows.

"In most of the government buildings, the mercury still hovers between 75 and 80 degrees," the reporter concluded.

The Superintendent of Public Buildings explained that since all thermostats had gone to war, heat control in the newer buildings was more or less by ear.

"But we have about 90,000 tons of coal in storage for the Central Heating Plant," he went on. "There will be no shortage."

To which the Baltimore *Sun* commented: "All too often the bureaucrats in Washington feel that the rules they prescribe for citizens in general do not apply to them."

Translated to the vernacular of the Press Gallery, this rule runs: "The Commissars never want."

So it was, too, when Washington became the guinea pig of the Office of Civilian Defense in the matter of BP, or blackout preparedness. The first few fifteen-minute tests were quite successful. Then came the toughening periods of thirty, forty, or fifty minutes. Step by step the entire metropolitan area adapted itself to an apparently effortless precision routine. By the time the blackout period had

been extended to ten hours there remained but one conspicuous offender—the federal government.

"The glaring exception to the record of community cooperation last night," observed the Washington *Star,* "was to be found among the government departments. Why the federal buildings should be excused from joining blackouts of the National Capital is a mystery that the average dutiful citizen would like to have answered. . . . Some of the federal buildings would have made excellent targets for bombardiers last evening."

Reviewing the ten-year record of national planning as he had viewed it from the vantage point of the United States Senate, Guy M. Gillette announced in February 1943 that he would not be a candidate for re-election. Collectivist experimentation on the billion-dollar note, he said, had got out of hand.

"We've got to clean house in Washington," he concluded. "And we can't do it by refusing to admit our mistakes—eliminating some of these hoards of locusts living off the people through agencies that are not necessary."

A colleague on the Democratic side of the aisle, Senator Millard Tydings of Maryland previously had been even more explosive in his public condemnation of the Washington wonderland.

"This government," he told the Senate, "is an overgrown monstrosity from top to bottom—an extravagant, wasteful bureaucracy in the midst of the whole war effort—and every Senator knows it!"

It is a great art to know how to sell wind.

—BALTASAR

CHAPTER IV

WAR OF INK POTS

IF PRINTER'S ink will win the war, the U. S. A. is home! The Government Printing Office occupies 33 acres of floor space, and employs 7,900 full-time workers, but it has not been able to keep abreast of the recent departmental demand for booklets, pamphlets, report forms, questionnaires and ration stamps. Overflow printing farmed out to commercial houses during the fiscal year 1942 averaged more than $10,000 a day. OPA called for 700 million sugar forms, including 200 million ration books—"the biggest printing job in the history of the world," said Public Printer A. E. Giegengack. This order called for 15 tons of ink and 300 carloads of paper. Other orders dropped on GPO: 35 million tire-inspection blanks, 500 million tax forms, 250 million albums for defense stamps, 25 million handbooks for patriotic speakers, 35 million auto-tax stickers, 75 million occupational questionnaires and 25 million household guides on rationing.

Every week instructions, suggestions, regulations, directives and amendments flow from Washington by the ton.

"The Post Office Department," reported *Editor and Publisher* in May 1942, "has protested against the flood of press releases, booklets, and other material placed in the mails by the informational experts of the bureaus, complaining that the increased burden is interfering with the handling of normal business."

When government undertakes to change the national habits and attitudes of a people, only a deluge of official education—"propaganda" if the material does not support your own ideas—can do the work. In Europe and Asia totalitarian governments are organized on the fulcrum of official intelligence. The people are given all the news that demonstrates the virtue of government, and denied all ideas which dispute official opinion. Every dictatorship uses the press, radio, picture screen and pamphlet as instruments of national policy.

That bureaucracy in America is deeply infected by the same virus is illustrated by the vast expansion of informational services throughout the federal establishment during recent years. As Vice-President Henry A. Wallace once observed, "A steadfast national allegiance to any fixed course, domestic or international, requires a certain degree of regimented opinion."

Senator Millard E. Tydings of Maryland was the first member of Congress to put the government press releases end to end. In one week there were 2,030 pages of federal publicity distributed—"one of the most wasteful activities of the federal bureaucracy," Tydings reported for the

Senate Economy Committee. The week's mimeographed material from Washington weighed 46 pounds and 12 ounces, making 875 columns of type in a standard newspaper—equivalent to the New York *Times* for four days, with no space for advertising, editorials or pictures. The Tydings' report described this material as "nothing more or less than pure propaganda, put out at government expense to promote a particular point of view, which is often highly controversial."

Two recent titles in Uncle Sam's list as compiled by the Government Printing Office: *How to Spend the Week-end Without a Car,* and *Geology and Biology of North Atlantic Deep-Sea Cores.* Combining editorial skills, the Office of Price Administration and the Bureau of Home Economics published *How to Make Your Refrigerator Last Longer,* a wartime gem of official intelligence. "Place your refrigerator where it is level and firm, in a cool spot, away from radiator or stove," was the first item of motherly counsel. "Wipe up spilled foods immediately. Never use sharp tools to loosen frost or ice trays. . . . Write to either the Bureau of Home Economics or the Office of Price Administration, Washington, for your free copy of the folder."

Indeed, federal guidance to housewives has become a major war function. Under the heading "Victory Begins at Home," OPA's *Consumers' Bulletin,* a twenty-four-page weekly, offered these suggestions:

* "If sheets are laundered at home, use plenty of soap and

water. . . . Buy sheets sufficiently long. They will wear better if long enough to avoid strain. . . . In storing, pile sheets neatly on a shelf, away from dust and dirt. . . . Use your sheets in rotation by placing the newly laundered ones on the bottom of the pile. . . . Clean and dust your radio set every so often. . . . Give your range daily cleaning care, including outside surfaces, burners, broiler and oven. Do not let spoiled food dry on the range. . . . Drying cottons in bright sunshine will help make the clothes clean and white. . . . Women's slips, sleeping garments and lounging robes have been simplified by government order, and it's up to every women to follow through with a textile conservation program of her own. Wise buying, proper laundering, and skillful mending are the outstanding points of any such program. . . . Success in remaking a coat depends on a number of things. The old coat must be carefully ripped, the material cleaned and pressed, and, if possible, turned. . . . Save metal, plastic and glass jars. . . . Designs for glass containers, such as whiskey, gin, rum, brandy and beer bottles, have been frozen to existing molds. . . ."

"Kindly advise a member of a church committee whether it is advisable to hold a candy and bake sale for the benefit of our church when there is a sugar shortage," a representative inquiry demanded of the Consumers' Division. "We want to do the right thing and will abide by your ruling."

Mrs. Walter Ferguson, homemaker columnist for the New York *World-Telegram,* emphatically rejected the theory that such activities have any place in the government's war program.

"Day after day the Consumers' Division sends out long instructions dealing with little facts which have been daily routine in the home for centuries. When you consider that vast bureaus of government are set up and maintained to remind the American housewife to empty the dust bag on her vacuum cleaner, and to watch for moths in her spring house-cleaning—it simply makes you want to bite your nails. I would feel better about things if the men would get along with their work. Unless we expect to win this war by mail, we might as well get busy with its more important aspects."

Media used by the government press agents in one year included radio, motion pictures, press releases, lantern slides, paid advertisements, pamphlets, photographs, posters, "educational co-operation," "individual contacts" and "group contacts." Representative Philip A. Bennett of Missouri inquired if a new appropriation covered the "cost of the many tons of stuff mailed out to the country papers?" Answered in the affirmative, he continued: "I frequently receive letters from publishers wanting to know if something cannot be done to lessen the vast amount of material sent them by these departments. They tell me they could not give space to one-thousandth part of the material they receive."

A bureau-to-bureau survey of federal publicity in 1942 tabulated 2,995 full-time employees, assisted by 31,618 part-time workers in the various extension agencies. Described as "educational programs," these promotional activities are co-ordinated through OGR (Office of Government

Reports) branches in every state. Salaries and expenses for publicity during the 1941 fiscal year were $27,700,000—or about the cost of 100 flying-fortress bombers fully equipped and loaded for attack. One year's free mail from the federal agencies was reported at $41,500,000—the amount of postage which would have been collected on the same items mailed from nongovernment offices. Thus the measurable cost of government publicity comes to at least $69,200,000 a year—or 250 flying fortresses.

"In a true sense, there are no longer non-defense expenditures," President Roosevelt said in his 1943 Budget Message. Nevertheless, Congress insists that, measured as weapons of victory, four-motored bombers do outweigh mimeographs in the government publicity offices.

Among forty-one new titles in the Department of Agriculture's current list of Farmers' Bulletins are No. 1849, *Useful and Ornamental Gourds,* and No. 1851, *Women's Dresses and Slips: A Buying Guide.*

Bulletin No. 52 from the Farm Credit Administration tells us that there are 38,500 retail food stores in New York City, but only 16,800, or 43 percent, sold fresh fruits and vegetables in 1941. The retail fruit survey is presented in 122 pages. Stores selling less than 100 pounds of fruit weekly dispose of only 16 percent Eastern apples, 9 percent Western apples, and 75 percent other fruits. . . . More fruit is sold in summer than in winter—probably because most fruits are more plentiful around harvest time. . . . Although 15,100 stores sold canned applesauce, only 10,400

sold canned prune juice. Large apples are preferred over small apples by all income groups. Other findings:

"It is inconvenient and hazardous for operators of pushcarts and market stalls to leave their pushcarts or stalls unattended and perform delivery service. . . . An attractive display long has been looked upon as an effective aid to retail sales. . . . Returns to growers must, to a considerable degree, depend on what retailers and consumers will pay for a given fruit. . . . The degree to which consumers will walk or drive considerable distances to obtain a given fruit is not known. . . . Further detailed study would be necessary before the approximate limits of such a theory could be determined. . . . It is generally recognized that the perishable nature of most fruits and vegetables makes retailing such produce more exacting and hazardous. . . . Since Western apples have to travel more than 3,000 miles to reach New York City, they must of necessity be packed carefully to withstand the vicissitudes of such a journey. . . . This bulletin is the first of a series dealing with various aspects of the retailing of fruits."

"We are of the opinion that nearly all of these releases should be discontinued during the war," Senator Tydings recommended. "They cost the government and the people of the United States many millions of dollars a year, consume the services of hundreds of clerks and stenographers and use thousands of square feet of office space, adding unnecessarily to the housing and transportation congestion of the capital city."

"Political propaganda has not yet been recognized by

Congress as an essential war activity," added Representative Albert J. Engel of Michigan.

Publicity bureaus of the federal agencies (exclusive of the military services) use 8,813 cameras—movie and still—to apprise the taxpayers of their accomplishments. The Tydings Committee itemized 19,078 pieces of auxiliary photographic equipment and 53,717 pieces of photo-processing equipment in the federal establishment. This government picture plant represents an investment of more than $15,000,000.

"Our study discloses that this equipment is utilized to a considerable extent in illustrating and fostering the agencies concerned," the report said.

With each federal photo, the distributing agency encloses voluminous descriptive material. Mimeographs, small printing presses and addressographs thus employed outside the Government Printing Office (and again exclusive of the military services) were tabulated at 19,358. The new value of this equipment was estimated at $7,750,000.

Senator Tydings explained that his tabulations were not all-inclusive, since the Office for Emergency Management, which employs some 46,000 persons, "advised the committee that the information requested was not available."

In a six-months survey the Tydings Committee investigators examined every phase of federal civil administration under war conditions.

"The committee has found the existence of nonessential

functions, some of which are overlapping, duplicating and paralleling others; inflated administrative staffs, wasteful use of office space, and lack of full utilization of equipment and materials in the Executive Branch. . . . There has been little effort to curtail the activities of the nonwar agencies. In fact, their personnel has shown a steady increase."

The report explained that in December 1939 there were 763,309 civil employees in the *nonwar* agencies, but by April 1942 this total had increased to 838,278. During the same interval the *war* agencies added 1,300,000 persons to the federal pay roll, exclusive of all military personnel.

"It has come to the committee's attention that certain agencies have developed new activities in a dire effort to justify their continued existence during the war."

After a careful study of several reports from the National Resources Planning Board, one of the numerous executive-order agencies created by the White House, the Tydings Committee said:

"These documents, in the committee's opinion, are seeking to infuse in the public mind a theory which can lead only to a financial debacle in the Federal Government. Stripped of their fine phraseology and innuendoes, they purport to show that the government cannot, and should never, follow anything but a deficit policy—that the Federal Government should always spend more than it receives in any one year. They seem even to make light of the ever-mounting debt. Such controversial matters (better termed *propaganda*) should not be sponsored at the public expense."

Eighteen months later the NRPB was abolished by Congressional mandate.

During the last ten years these activities of the federal government have experienced a "subtle and pernicious growth."

The Tydings Committee also found record of at least 6,000 draft deferments in the nonwar agencies, many of which appeared to warrant detailed inquiry through Selective Service. Said the report:

> "Coincidental with its primary purpose the committee determined to conduct an inquiry relative to the number and merits of requests for deferments, under the Selective Service System, made by the various departments and agencies of the Government. This inquiry, aside from a limited number of personal investigations, was conducted by questionnaire, the results of which revealed that approximately 6,000 deferment requests had been made as of March 1, 1942. Deferments have been granted for periods ranging from 30 days to 1 year, with additional requests having been made in certain instances.
>
> "A study and analysis of the circumstances surrounding the numerous requests for deferment has revealed that in many instances young men performing merely routine duties have been deferred. Furthermore, a large percentage of the requests were for employees 25 years of age or younger, many of whom had comparatively little governmental experience."

The House Military Affairs Committee also investigated draft deferments among federal civilian employees. It reported, on March 23, 1943, that 479,000 men of draft age

(eighteen to thirty-eight years) were employed in the government departments. About 10,000 had been deferred at the request of the employing government agency.

"We don't know how many of these people may have been deferred on their own statement that their jobs are essential to the war effort," said Representative Forest A. Harness of Indiana, a member of the Military Affairs Committee.

When federal publicity goes off the deep end, national confusion is the inevitable result. In 1941, when the Office of Civilian Defense called for old aluminum, our courthouse lawns were piled high with pots, pans and percolators. Richmond, Virginia, turned in enough for "eighteen bombers"; Madison, Wisconsin, supplied a whole squadron of fighters; and Peoria reared her scrap to almost three stories on the prairie Common—so ran the OCD press blurbs, in word and picture, from a thousand cities and towns.

Several months later, when Rear Admiral J. H. Towers, Chief of Naval Aeronautics, appeared before the House Appropriations Committee, he was asked about the aluminum drive. He said it had accumulated "a tremendous stock of cooking utensils. . . . But I do not think the real idea was made clear to the public."

The hearing room was electric with the unuttered question: "You don't mean to say, Admiral . . . ?"

"You can get only second-grade aluminum from cooking utensils," the witness continued. "That type of aluminum

contains certain impurities that make it impossible to use it for any of the strength features of an airplane."

"Then what good are all the pots and pans that were collected?" barked Representative Louis Ludlow of Indiana.

"In some instances," Admiral Towers explained, "where you do not need any great tensile strength, that type of aluminum can be used—in some ocean vessels, and perhaps in gun carriages."

A similar situation developed in wastepaper. From coast to coast school children brought it in by the ton. But much of it remained uncollected for a year or more. Tin cans at one point were to be squeezed flat, again were to be left round. Incendiary bombs were to be attacked with a fine spray, never with a full jet of water. Later these instructions were reversed, then amended. When all the federal directions had been studied one only could pray that he never would be called upon to deal with a fire bomb.

Although the federal press agents deal principally with trends and statistics, there is also an agency for official humor. The Office of Emergency Management employs a considerable staff of Hollywood artists and gagmen to design posters and cartoons for free distribution to industrial plants, newspapers and magazines. The aim is to impress upon the people, with the light touch, the serious aspects of rationing and price controls.

One official release presents a scene at the Washington Zoo. A small boy, clinging desperately to his toy balloon,

is being carried over the housetops, the anguished mother shouting hysterically, "Catch him! Catch him!—it's rubber."

Another cartoon delineates an effervescent sales girl in a perfume shop offering a rare item to a bored patron: "You will love it—it smells like gasoline."

To keep abreast of this topsy-turvy world, Uncle Sam employs some 300 people to read newspapers and magazines for him. The job is done in the Division of Press Intelligence, Office of Government Reports, whose reading-and-clipping budget for the fiscal year 1942 was $501,194. This appropriation provided for the systematic perusal of 390 daily and 27 weekly newspapers, plus 62 magazines. Each clipping is given a permanent catalogue number and briefed for the daily *Press Intelligence Bulletin,* 1,200 mimeographed copies of which are distributed every morning to the department heads and bureau chiefs. This routine having been maintained since 1933, there are now more than 9 million clippings indexed. When the OPA Rationing Division requested the current file on sugar, some four pounds of clippings were supplied promptly. But many of them, as it turned out, were from the sport pages, a typical head being "SUGAR TRIUMPHS!" These offered a blow-by-blow description of a knockout scored in Madison Square Garden a few nights earlier by one "Sugar" Robinson, a Harlem welterweight.

The first centralization of federal propaganda was accomplished through the Office of Government Reports,

established in 1939. With the declaration of war, this machinery gradually was transformed through the Office of Facts and Figures to the Office of War Information. Much of the personnel remained unchanged, and the functions were essentially the same. The Army and Navy continued to release their own military communiqués, as before. The only material the Office of War Information never was permitted to handle was military intelligence relating to the winning of the war. It did, however, publish a cartoon pamphlet of the life of President Roosevelt. Later it launched a de luxe glossy-paper magazine *Victory,* which offered advertising space at rates up to $3,000 a page. In November 1943 it published a 3,000-word biographical sketch of Mrs. Roosevelt—"the working woman of the White House." In presenting this document to Congress, critics of OWI charged the sketch had been prepared exclusively for overseas distribution.

Time was when statistics were mere facts, but government in the fourth dimension, as now practiced in Washington, required a new term—"constructional statistics." Leon Henderson started the new school in 1938, with the launching of the TNEC (Temporary National Economic Committee), a government inquiry which investigated every segment of American industry. Addressing the 1942 spring meeting of the Academy of Political Science, George O. May, of the accounting firm of Price, Waterhouse and Co., thus described "constructional statistics" and the men who deal in them:

"They pride themselves on their ability to take a mere modicum of fact, with a blend of unverified assumptions, and by a delicate process of statistical manipulation, and perhaps some torture of terminology, to produce something that is palatable, though perhaps neither very healthy nor containing very much in the way of vitamins.

"The unfortunate thing is that these people know what they are doing; but when they have done it and put forward their highly tentative and perhaps very dubious conclusions, those conclusions in the next stage of their existence are separated from their past, change their name, and are introduced into political society as if they were facts.

"I do not suppose any country ever has suffered from this process to the extent we did under the TNEC, and our distinguished chairman can bear me out as to the difficulty of catching up with false assumptions and erroneous statistical methods in the constructional statistics of that Commission. So I would warn you all to look with care at any statistics that have come from that body, and not to accept them unless you have been able to subject them to a test or have them subjected to a test by someone competent and objective."

Federal motion pictures and radio also help in keeping the citizen abreast of his changing world. As of February 1939 there were 539 government films available for free exhibition in schools, churches, clubs, lodges and civic associations. Since 1935 certain government films have been booked free, at the option of the local exhibitor, through the regular commercial exchanges. In July 1936 Professor Tugwell's Resettlement Administration reported

that its first five-reel feature, *The Plough That Broke the Plains,* had been exhibited before 18 million people. In August of the same year, *We, the People, and Social Security,* the first Hollywood venture of the Social Security Board, was reported in a leading trade journal to have figured in "the most extensive distribution of motion picture films ever undertaken by a government agency." More than thirty-five government films have been produced during the last two years for distribution exclusively in Latin America. In March 1942 the Budget Bureau itemized federal motion-picture costs for the ten months ended May 1, 1941. This report showed film-production projects moving forward in twenty-four different departments and agencies. Production costs for ten months were $1,395,405. Another item of $374,264 covered distribution expenses. (Committee on Reduction of Nonessential Federal Expenditures, Hearings, Part 4, March 12, 1942, p. 1215.)

Government education by radio is in relative infancy, but its steady expansion is marked readily by the selective listener. The most elaborate and lavishly equipped studio in Washington is the Interior Department's experimental plant, managed by the Office of Education. Maintained entirely by departmental funds, this studio broadcasts chiefly educational programs supporting the Administration viewpoint on pending legislation in Congress. The same facilities are not available to those who oppose Administration policy. From time to time the Office of War Information commandeers entire radio chains on a few hours'

notice. Testifying before the Senate Committee on Interstate Commerce, December 8, 1943, Mr. Niles Trammell, President of the National Broadcasting Company, urged immediate legislation to check "the clearly apparent trend toward government control of radio.

"What has happened lately is the result of excessive zeal on the part of bureaucracy to apply new social concepts to American industry. . . . Such power is a gun aimed at the heart of all our democratic freedoms."

All of this recent expansion of federal activities bearing directly upon the formation of public opinion has excited wide discussion. Dr. E. Pendleton Herring, a member of the Department of Government faculty at Harvard, has presented the conclusion:

"Never before has the federal government undertaken on so vast a scale and with such deliberate intent, the task of building a favorable public opinion toward its policies."

At about the same time Mr. Elisha Hanson, Washington counsel to the American Newspaper Publishers Association, summarized his observations on the expanding New Deal information services with the statement:

"For the first time in their history, the American people have seen their government turning to propaganda in myriad forms to win their favor and keep their support."

Reflecting the view of the active daily journalist in the

Capital, Mr. Arthur Krock, chief of the New York *Times* bureau, wrote in April 1937:

"The wish to hamper the American press in its conception of itself as the eyes and ears of the public has been so persistently revealed in New Deal Washington that the newspaper profession is acutely sensitive to any suggestion of restriction."

"Can one speak of government by consent," asked Professor Herring, "when this consent is manufactured by official press agents?"

In the progress of European dictatorships since the twenties there has emerged a rather uniform pattern in the movement toward control of public opinion. In this sequence the policy normally develops through four overlapping phases. The first is distinguished by a redundance of strong supporting material extolling government policies and aims. As the inevitable resistance to regimentation mounts, the clamor of opposition becomes more insistent; whereupon the second phase is characterized by a pronounced official resentment of all criticism. Next comes indirect censorship, by the suppression of fundamental news in the half-lights of bureaucratic routine. In this phase, reports and surveys unfavorable to current policies simply are filed, and no questions answered. The last phase brings positive measures of formal governmental control over the channels of news dissemination, a step which marks the full flower of managed opinion. At this juncture we hear

the piping bellow of Dr. Goebbels proclaiming to Germany on June 25, 1934: "The right to criticize belongs to the National Socialist Party. I deny anybody else such a right. The right to criticize is exercised by the National Socialist Party to a sufficient extent."

The historical significance of the world's recent drift to official news is summarized forcefully by Carl W. Ackerman, Dean of the Graduate School of Journalism in Columbia University. Reporting in July 1937 on a six-month survey of public opinion in Europe, Dean Ackerman said:

> "The line of demarcation between nations dominated by a war psychology and those still subject to the psychological element of peaceful ideas is between managed public opinion and the free exchange of information. No one can cite a single exception."

Almost on the day that Dean Ackerman's report came off the presses the National Editorial Association assembled in Detroit for its annual convention. Addressing this gathering, Mr. J. G. Stahlman, President of the American Newspaper Publishers Association, sounded the grave warning: "Unless the press of America fulfills its high mission in the days that are ahead we, too, will find that we have gone the way of the rest."

Addressing a Town Hall luncheon in New York on April 28, 1938, David Sarnoff, President of the Radio Corporation of America, traced the growing tendency of indirect federal censorship through regulatory powers. "We

have but to look to the autocracies of Europe to see what such governmental control of broadcasting may mean. When the dictator stands before the microphone, the citizens are regimented before the loudspeakers."

Again in May, 1942, Dr. Arthur C. Millspaugh, of the Brookings Institution, Washington, surveyed the growing machinery of government propaganda. In a scholarly book, *Democracy, Efficiency and Stability,* he warned:

"The influence of government on social organization and the formation of opinion raises grave questions. Democracy demands that a free public opinion shall control government, but the vast increase in the number of citizens who are directly dependent on government for all or part of their income has placed the freedom of public opinion everywhere in jeopardy. When the point is reached where opinion can be manipulated or bought by officeholders so as to create and hold a majority, popular government is no longer really operating. Furthermore, the moral standards that are essential to its revival and maintenance suffer widespread deterioration."

America never has resisted the protection of military information through the Office of Censorship. That enterprise has been accepted as an inescapable part of war. But there is growing protest against the endless flood of useless information and political propaganda distributed through other agencies at public expense under the guise of war activities. As a measure of wartime economy, the whole structure of federal propaganda activities well might be

eliminated. Such action would contribute immeasurably to the spirit of victory. It would eliminate much needless public confusion over policies and programs, and would offer convincing assurance to the whole nation that plans to remake America in the pattern of medieval collectivism had been put away for the duration. To eradicate "a widespread suspicion of unstated purposes" in Washington, as one critic has described our situation today, would be to weld America instantly to complete unity and full mobilization of national will and resources.

The right divine of kings to govern wrong.

—POPE

CHAPTER V

RE-NEGOTIATION—AN INFORMAL LAW!

WAR is always a hurry-up job. That is the very theory of priorities—to hurry things along. But the rush is always greater at the outset. Then the military services need everything in almost unmeasurable quantities—*rush, promptly, immediately, at once, hurry, hurry,* HURRY!

In that atmosphere there was no time, in 1940 and 1941, to pause for cost analyses, administrative margins, profit ratios. There were several thousand military items to be ordered in lots of millions—many of which never had been manufactured before in the United States. No one knew what they would cost. For some, new plants had to be built, equipped with entirely new designs in tools. In many cases it was impossible even to estimate accurately what the plants would cost, or how much production would flow from them.

These problems gave us today's big management headache—"re-negotiation." The war contracts were awarded on the basis of "guesstimates." A unit price was fixed, more or less arbitrarily—anything to get production going.

But there was no warning that these contracts might be revised. Not until April 28, 1942, did Congress authorize re-negotiation by Price Adjustment Boards established in the Army, Navy, Maritime Commission and Treasury. From that date all contracts were let with the understanding they would be re-negotiated on the basis of actual cost experience.

But the law was retroactive! It covered all war contracts, even those which had already been completed at the factory, if not finally paid for by April 28, 1942. One shipbuilder was re-negotiated on an aircraft carrier several months after the craft had been lost at sea!

That's why, since April 1942, American industry has been unable to draw a balance sheet. Management is "coming in on a wing and a prayer." It has its contracts; 10 million units at 10 cents each; that would be a million dollars—subject to re-negotiation, when, as and if. The contract is a supporting wing. The prayer is that re-negotiation will leave the business solvent. Reduced to practical terms of daily management, every war production plant is operating on this basis: "Turn out as much as possible, as quickly as you can; in a year or two we'll tell you what you're to be paid for it."

A Louisiana cotton mill was jogging along at about 40 percent of capacity on fabrics for work shirts and overalls, suitable for the boys in WPA, NYA and CCC. Suddenly a messenger arrived. A telegram from Washington demanded prompt shipment on cloth for 150,000 dozen suits

of underwear for the Philadelphia Quartermaster Depot. . . . Specifications follow, air mail, special. . . . No delay can be tolerated. . . . Wire acknowledgment of this order promptly. . . . When will shipments begin?

By some mysterious managerial alchemy the work-shirt and overall business was wound up that evening; and a week from Tuesday the first truckload of underwear fabric rolled off for Philadelphia. Management still was a bit bewildered, but the goods were rolling. The whirling spindles beat out a new national anthem—*Remember Pearl Harbor!*

So it was with tanks, ships, planes, artillery, ammunition, gun mounts, small arms, life rafts, ration kits, socks, handkerchiefs, underwear and parachutes. Production poured forth in an ever broadening stream, to sustain the military forces of the United Nations in no less than forty-two different theatres of war, from Kiska to Madagascar, and from Iceland to Darwin, Burma and Guadalcanal. Those were the days Tom Girdler had in mind when he wrote in his autobiography: "Since Dunkerque, civilization has been saved primarily by the industrial corporations of the United States." He did not minimize the courage, valor and sacrifices of our fighting men in the field. "Nevertheless, these young men could only sacrifice themselves in brave futility except for their weapons and equipment. We know now that there can be no other result except victory. Yet all the superb mechanisms which will enable them to conquer the enemies of the United States are the

product of this country's great industrial corporations, and could only have been created in so short a time by such organizations."

Marshal Stalin paid approximately the same tribute to U. S. industrial might in his celebrated toast to President Roosevelt at the historic Teheran Conference of November 1943. Said the Soviet Premier on that occasion:

"Without American machines the United Nations never could have won the war."

This is as close to agreement as Mr. Girdler and Premier Stalin ever have come in recorded history.

Political crusades against profits are a routine wartime phenomenon, yet no critic of business has been able thus far to set down a workable formula of basic production costs, or define reasonable profits. Conditions vary in every industry, even from plant to plant. Early in 1942 a proposal was introduced in Congress to limit all profits to six percent of the gross war contract. This would be simple cost-plus, demonstrated many times as the most wasteful arrangement ever devised for government contracts. The suggestion was abandoned upon showing by the military services that, in many industries, this margin would not call out the necessary volume of production, after allowance for development expenses, research, retooling and taxes.

As an alternative, Congress approved the Price Adjustment Law, requiring the several departments to establish

cost analysis and to re-negotiate all contracts in excess of $100,000 upon suspicion of excessive profits.

But in this law there was no definition of reasonable profits. No standards were established to limit the authority of the administrative departments. The power to re-negotiate was delegated by Congress to the President. The President, in turn, delegated it to the Army, Navy, Maritime Commission and the Treasury. Each of these departments then delegated it to its own Price Adjustment Board. The Army, in turn, delegated the authority on May 17, 1942, to the Quartermaster General, the Chief of Air Corps, Surgeon General, Chief of Ordnance, Chief of Engineers, and so on through all the branches of the service. Each of these military branches next delegated it further to their regional commanders throughout the country. Today the Army alone has forty-four Price Adjustment Boards operating under six different service branches. This comes close to "delegation running wild"—the term used by the Supreme Court in its unanimous condemnation of the lamented NRA statute in 1935.

Through this impenetrable maze of delegated powers, at least $35 billion in war contracts then went into the undefined processes of re-negotiation. There were no rules, no published procedures, no standards of measurement. Every case was to be handled on merit, whim or personal predilection. The findings of fact, as finally determined by the various Price Adjustment Boards, were not subject to judicial review.

As of June 1943, no less than 12,622 corporations thus were suspended by their financial fingernails, while operating at top speed on urgent war contracts. At that point a vast majority of those corporations could not presume to present a final statement covering 1942 operations. Not until re-negotiation had been completed could they report final profits, if any. "Re-negotiated again!" became a trade greeting among corporation accountants.

In some cases manufacturers had paid large income taxes computed on the basis of their original contracts. But after re-negotiation they actually owed less than half of the taxes already paid! Because of the delay in obtaining the tax refund, some managers were forced to borrow money to keep going. This situation later was corrected in part by an administrative ruling allowing overpaid taxes to be credited on the recapture settlement, but many firms still are seeking tax refunds on profits never earned!

Even when he knows that re-negotiation is just around the corner, the corporation comptroller still has no basis of experience or policy on which to estimate what might happen in his own finances. The House Naval Affairs Committee studied some eighty re-negotiation settlements in detail. One left a margin of 9 percent of gross sales, after taxes, but another left 16.2 percent. One great airplane builder came off with 1.9 percent, after taxes, but another got 9.1, and another 4.1 percent. One electrical equipment producer netted 0.9, another got 7.5. By what standard are profits judged?

Another compilation of the Naval Affairs Committee shows how much of the original profits (after taxes) were lost by various companies in the re-negotiation ordeal. One auto maker was stripped of 77 percent of his calculated net, and another lost 64.3, but a third lost only 5.2 percent. One steel company lost 69 percent of its "paper net"; but another came through with a considerably higher net profit per dollar of sales, yet lost nothing in re-negotiation.

The element of raw chance which figures in the re-negotiation proceedings was developed by Chairman Robert L. Doughton of the House Ways and Means Committee in his cross-examination of Robert P. Patterson, Undersecretary of War, on September 20, 1943.

"You have no formula, as I understand it?"

"That is true," Patterson replied.

"Each board is a law unto itself?" Doughton pressed.

"We do have no fixed formula; that is true. We have tried to frame one, but we cannot; and I do not believe anybody can."

Doughton cited a contractor from his own state. On a gross transaction of $550,000, a refund of $10,000 had been demanded.

Doughton explained: "The person who was handling his case gave him no bill of particulars, but merely said that he owed $10,000. That is one of the complaints made here, that when men are assessed by the government on the ground that they have made excessive profits and are required to refund money, they are given no bill of particu-

lars. They are not shown in detail *why* they have been found to owe the government, or why they are required to refund, or how it has been calculated. . . . If there is one such case, would not there be many such cases? Should the law permit such cases, where the contractor feels he has been wronged and has not been given any detailed facts or figures to show him wherein he has been making excessive profits?"

Secretary Patterson acknowledged, "It is rather hard to justify on principle," but insisted re-negotiation should be retained, perhaps with some protective amendments.

Congress has investigated re-negotiation from three different approaches. The Truman Committee of the Senate sought to determine if re-negotiation distractions impaired management. The House Naval Affairs Committee conducted extensive hearings to discover the impact of re-negotiation upon future procurement. Finally, the House Ways and Means Committee studied the subject as an aspect of federal taxes and fiscal policy.

In each of these hearings management entered a strong appeal for clarification and co-ordination of an indefinite and muddled situation. Said one manufacturer of bomber equipment—his plea is typical of hundreds found in the 3,000-page record of Congress:

"Re-negotiation of war business is a constant and serious threat to our continuing in business. From my observation, the administration of this act follows no pattern and is

entirely without any basic plan. I feel that it is discriminatory, that it penalizes initiative, and kills incentive in thousands of small manufacturers to help win this war. Some companies such as ours have played a tremendous part in the war effort. . . . Without us, large prime contractors could not have produced war material at anything like the speed with which it has been turned out. . . . We are collectively a fairly large source of tax revenue. In the meantime, over and above all our present problems and the future ones we are trying to solve, the question of renegotiation hangs like a cloud. In our own particular case, we have been asked to refund to the government 50 percent of our net profit before taxes, although our profit after taxes for that year amounted to only 4.2 percent."

In another case a cotton mill was re-negotiated to a point where, after excess profits taxes up to the 90-percent bracket, it did not retain sufficient earnings to pay its annual interest and amortization deposit to the RFC on a $500,000 mortgage negotiated in 1939. The president of this mill told the House Naval Committee of his pleas to the Quartermaster General's representatives in New York.

"Both of these gentlemen frankly admitted that they had no answer to this, and agreed it did not seem fair. They were courteous and aware of our particular problem, but stated that they must proceed according to their rules and regulations."

But what are those mysterious rules and regulations? They never have been codified or published. There is no

established procedure. Even for the major industries there is no fixed profit formula.

As a matter of general policy, all re-negotiation conferences begin on a statement of earnings *before federal taxes*, as if taxes were not a part of the cost of doing business! Congress has been impressed by repeated petitions that, at least, re-negotiation should begin on profits after taxes, never before.

"Another difficulty," testified Mr. De Witt M. Emery, President of the National Small Business Men's Association, "is that you have three or four active Price Adjustment Boards, each operating independently of the others, and there is no standard or similarity between their awards. The fellow on one side of the street is re-negotiated by the Navy, and he is allowed a certain percentage; but the fellow over here is re-negotiated by the Army, and allowed another percentage."

To this, the Committee Chairman responded, "I think you are right about that."

Stockholders likewise have been hard hit by re-negotiation. Corporation reports offer little to guide the investor when his company still is subject to re-negotiation. One large corporation reported earnings of $12.09 a share for 1942. But after re-negotiation the figure was $7.28. Another reported $3.29, but the re-negotiated figure was $2.70. A steel company reported $6.23 per share and ended up with $4.30. A building contractor reported $9.46 and wound up with $8.80. Here is a situation which, if delib-

erately framed to drive capital from the investment market, hardly could prove more effective. The whole structure of the SEC, it will be recalled, was reared on the theory that stockholders are entitled to complete and fully credible reports from management; yet in re-negotiation government itself has interposed a device which makes accurate reports a physical and mathematical impossibility.

Every industry has presented particular problems arising from re-negotiation. In some, the war machinery is easily adaptable to peacetime pursuits; in others, the war plant is junk when military orders are finished. One industry operates in the low excess-profits brackets, another in the top range. Every industry has endorsed elimination of excessive profits. The only petition to Congress has been for a *method* which would enable management to plot its course from year to year on a sure and certain financial footing.

In machine tools, for example, the plea was made by the National Machine Tool Builders Association that "re-negotiation, as at present administered, actually threatens the industry's postwar survival. . . . If the machine tool builder feels that the demand is excessive and declines to sign the agreement prepared by the Price Adjustment Board, he is told that if he does not sign the matter will be referred to Washington, with the threat that there the parent board will demand even more."

Confirming reports of intimidation, coercion and duress by the local adjustment boards, Representative Thomas A. Jenkins of Ohio recalled one case before the Ways and

Means Committee: "And when he appealed to those who were negotiating with him, they said to him, 'You had better not go down to Washington, because if you do you will get a lot worse deal than you are getting now.'"

Other shocking instances of intimidation have been spread upon the Congressional hearings—some of them involving strong-arm tactics almost unbelievable in the United States.

John B. Hawley, Jr., President of the Northern Pump Company, Minneapolis, told the Naval Committe how he had spent more than a million dollars developing and perfecting a foolproof hydraulic pump needed for steering mechanisms in aircraft carriers. On the basis of these and other personally held patents he fulfilled $88 million worth of Navy contracts in 1940, 1941, and 1942. These operations showed an over-all net, after taxes, of $7,328,000, or 8.32 percent of sales.

Then re-negotiation hit him. The final settlement was a refund of $16,000,000 to the government, leaving a net, after recalculated taxes, of approximately 2 percent on sales. Meanwhile he had been twice awarded the Navy "E" for excellence in production.

But what of reconversion costs? He carried 10,000 men on the pay roll. With their families, some 50,000 people looked to him for postwar security and livelihood, he told the committee.

"I hate being called unpatriotic during a formal meeting of the Navy Price Adjustment Board for not giving back

the earnings of these men to the Treasury. My wife can tolerate store clerks asking how it feels to spend blood money. Try that some time: Have your wife walk into a store and be greeted with, 'Well, pretty nice to have lots of war money while my husband is out dying.' My children can make the best of the war profiteer stigma; but how in the name of Heaven am I going to take care of these 50,000 loyal men, women, and children, and utilize the taxpayers' $25 million investment in one of the finest machine shops in the world, and convert to a peacetime basis of usable production on 2 percent after taxes? Now that is my problem. . . . I have never, in any re-negotiation conference, or in any data or report, had anybody mention how many men the fellow has to look out for after the job is over, or how much it would cost him to taper off war production."

The military services have presented elaborate statistical tabulations showing billions recaptured, plus additional billions saved on repricing. But the Ways and Means Committee asked for figures on 100 specific contracts, after re-negotiation had been completed. The results were presented by Kenneth H. Rockey, Chairman of the Navy Price Adjustment Board. Combined net before taxes was $1,062,-968,600. Federal corporation taxes alone would have caught 73.9 percent of these profits, without re-negotiation. But re-negotiation actually recaptured 10.4 percent more—a total of $110,747,700. These figures appear to offer at least a compelling argument for re-negotiation after taxes, rather

than before. Why all the re-negotiation toil, sweat and tears over the $750 million the government was going to get anyhow?

Personal income taxes, moreover, would have taken 15 or 20 percent of the original profits prior to re-negotiation; and personal income taxes in the states would have taken another 3 or 4 percent, perhaps more. Allowing 25 percent for personal income taxes, the ultimate net recovery by re-negotiation on approximately $12 billion of contracts (gross sales), was about $83 million.

Yet these calculations leave untouched the crucial management problems of postwar reserves, conversion losses, continuity of employment after war contracts. Nor do they consider administrative costs for the long and tedious computations and presentations of the government re-negotiating officers. Last but not least, they take no account of the wear and tear on management—trips to New York, trips to Chicago, to Washington, to San Francisco; long-distance calls to the price adjustment boards; special accountants, reports, calculations, forms; attorneys; distraction from production problems; extra executive hiring to carry the government negotiations. On balance, the whole thing would come pretty close to washing out after taxes. Nevertheless the official report of the Navy shows, for these 100 contracts, recapture of roughly $500 million by re-negotiation!

Historically, there is always a great deal more heat than

light in political discussions of wartime profits. The case has been stated authoritatively by C. Oliver Wellington, a former president of the American Institute of Accountants:

"Ever since the First World War there has been a lot of loose talk about war profits. There is no doubt that a few individuals or companies did make large profits as a result of war work, but even in those cases the public never received a clear and complete picture of the total net return after taxes and all expenses and losses, and formed impressions on the basis of reports as to profits for one year or on one contract, without giving consideration to offsetting items.

"Even if a few did make substantial net returns after taxes and all losses and expenses, this was not generally true for all companies. Totals of income tax returns have shown that for those corporations reporting net income the profits after taxes were $8.6 billion in 1916, approximately the same in 1917, and only $5.2 billion in 1918.

"In many cases, there were substantial expenses and losses in 1919 and later years, in clearing up the aftermath of the war production. Therefore, these profits as shown on income tax returns are undoubtedly higher than the true profits in the war period. It is clear that the profits during the period of participation of this country in the First World War were substantially lower than the profits made before we entered the war.

"The lack of profits in the current war is shown by an examination of annual reports of leading corporations. . . . Comparing 1942 with 1941 for all manufacturing companies, this shows a decrease of 14 percent in net income after taxes and a decrease in the return on capital from 12.3 percent in 1941 to 10.1 percent in 1942.

"In considering these figures it is very important to bear in mind that, for most of the companies, the earnings as reported are subject to re-negotiation of government contracts. Therefore, 1942 totals are undoubtedly overstated by substantial amounts; and the reduction in profits as compared with 1941 and earlier years is actually more than indicated."

Great Britain has come through more than four years of war without a re-negotiation law. In her procurement program she seeks, as a matter of policy, to negotiate original prices which will yield a profit after taxes, of approximately 7.5 percent on the capital employed. But without exception, British policy has left to taxation, rather than re-negotiation, the recapture of excessive profits. By this program she has avoided a vast and costly administrative bureaucracy for re-negotiation. She has conserved the human resources of management and eliminated a host of conflicts and irritations introduced in the American war effort by the pulling and hauling of re-negotiation to the third decimal. More important, she has avoided the restraint upon efficiency imposed by re-negotiation. What incentive for plant improvement and productive efficiency remains if every contractor knows that each such move only makes more certain the ax blow of punitive re-negotiation?

Such are the supplications of industry as winnowed from voluminous hearings before the three committees of Con-

gress. In summary they reduce to six guiding recommendations, as follows:

(1) Excessive profits should be recaptured through tax programs which fall equitably upon all industries and all types of producers.

(2) The meandering delegation of unlimited taxation powers to administrative officers should be curbed to eliminate intimidation, coercion and duress against management.

(3) Adequate cash provision should be made for post-war reconversion and continuity of employment.

(4) No recapture device should be retroactive beyond the first of the calendar year of enactment; and a statute of limitations should be fixed, so that contractors may be protected against all claims after a reasonable interval from completion of the contract.

(5) In recapture programs, normal profits should be defined in the same terms as in the revenue code.

(6) Recapture should begin after computation of federal taxes, should be accomplished through fixed published procedures, and should be subject to judicial review as to both law and fact.

These are traditional considerations of American policy, so elemental as hardly to require definition. Yet hundreds of appeals to Congress appear to demonstrate that such fundamental precepts of Americanism have been violated daily in the arbitrary conclusions and dictatorial demands of our far-flung re-negotiation boards.

Indeed, few in America realize that these hundreds of federal officers have been operating under a law which defines excessive profits as *"any amount of a contract or a sub-contract price which is found, as a result of re-negotiation, to represent excessive profits."*

Such is the constitutional structure of the re-negotiation device. Yet, in little more than a year, it brought all American industry to its knees before the high throne of government.

A false balance is an abomination to the Lord.

—PROVERBS, XI

CHAPTER VI

SOCIALIST SUPER-STATE

THE deepest impulse of bureaucracy is to grow—to take in more territory, extend its authority, expand its pay rolls to regional and district offices, even to establish overseas representatives to chart the pulse of the world beyond for the departmental bulletins. In the United States this expansion impulse is rooted in the fact that the classifications of the Civil Service Commission, which grade administrators up and down the scale from $1,400 to $12,000 a year, are based largely on the number of people working under the supervision of the applicant. By this rule, the head of an administrative section may advance in official stature by the mere formality of increasing his bureau personnel from 50 to 100. This was the rule which, in no small degree, swelled OPA in less than two years from a staff of 84 federal employees to a nationwide network of 198 district and regional offices employing a few more than 90,000 full-time pay-rollers. A similar growth record, in smaller dimensions, was registered by the Office for Emergency Management, the War Production Board, the Office

of War Information and several other emergency agencies established after 1940, just as, seven years earlier, the process had been observed in our first approach to alphabetical salvation through NRA, AAA, WPA and NYA. Indeed, so universal and unfailing has been this rule of bureaucratic growth that during the last decade the Washington utility companies have been able to plot pretty accurately in advance from month to month their exact needs in new telephones, streetcars, buses and printed transfers. Not until 1942, when the war agencies began to hire new help at the rate of more than 100,000 a *month,* were these government growth curves fouled by the runaway facts.

Unfortunately, there is only one direction in which government can expand—into the activities of its citizens or subjects. Throughout all human history, people have discovered ways of doing for themselves those things which they really want done. Historically, government developed as a system of organized protections against vicious and predatory individuals. It next moved to the area of recognized community services by majority consent. In the present phase of socialistic bureaucracy, government moves on from the ideal of protections, restraints and essential services, to the greener pastures of national management—controls over production, distribution, transportation and finance. This is the phase which hurls a people pell-mell, amid a deluge of proclamations, directives and executive orders, toward the charted perfection of State Socialism—that idyllic fairyland in which everybody has coupons for

butter and bacon and beef at the rate of so many ounces a week—when butter, bacon or beef is to be had.

Our prevailing American socialism begins with a questionnaire, and ends with a four-gallon ration coupon reduced to two gallons. The questionnaire, printed in lots of millions, presumably provides what the federal professors call the "frame of reference" for the administrative program—so many units to be distributed at a given price, therefore so many points per unit. It's bound to be perfect!

To administer the program it will be necessary, of course, to set up an office, board, bureau or corporation, and from that point expansion is but a matter of successive emergencies. Enforcement soon must be expanded; legal divisions must be enlarged to prosecute "chiselers"; publicity staffs must be expanded to stimulate both compliance and appropriations; soon a division of research and analysis must be organized to study trends and plot future needs. Thus does bureaucracy run on and on, its work never done, its field never defined. And should national good fortune intervene to provide sufficient peas and lentils for all, without ration coupons, bureaucracy finds the answer promptly in the form of Amendment No. 74 to Ration Order 13, as promulgated by OPA on October 22, 1943, in these words:

"Although processed foods with a point value of zero may be acquired and transferred without restriction, they are retained on the list of rationed foods to make it easier to keep records of supplies, the Office of Price Administration announced today. Certain processed foods, such as

dry peas and lentils, for example, are at times sufficiently plentiful to justify their having no ration value, but records of supplies are kept so that rationing may be readily resumed if this becomes necessary."

Here we behold the full bloom of socialist regimentation —rationing of foods, not for the purpose of controlling a short supply, but for the convenience of the federal administrative agency in its record-keeping functions! Such are the motivations of state socialism in our new federal bureaucracy—rationing at "a point value of zero."

Where shall we turn today to find the acknowledged era of free enterprise? Not in agriculture, surrounded completely by quotas, parities and soil-conservation allotments; not in housing, banking, amusements, insurance, electric power, medicine, labor or shipping. Through all its agencies, the federal government now is engaged directly in forty-six different lines of business activity. And through loans and liens, it has a proprietary interest in 77 additional economic pursuits.

Adolph A. Berle, Assistant Secretary of State, and one of the original brain-trust elders of 1932, thus presented the official logic of our march to socialism in his testimony before the Temporary National Economic Committee on May 22, 1939:

". . . If, therefore, wealth is to be created by creation of government debts, the scope of government enterprise must

be largely increased. Briefly, the government will have to enter into direct financing of activities now supposed to be private; and a continuance of that direct financing must be, inevitably, that the government will control and own these activities. Put differently, if the government undertakes to create wealth by using its own credit at the rate of $4 billion or so a year, and if its work is well done, the government will be acquiring direct productive mechanisms at the rate of $4 billion worth a year, or thereabouts. Over a period of years, the government will gradually come to own most of the productive plants in the United States."

When Mr. Berle uttered this sweeping prophecy, the federal investment in U. S. industry, transport and finance stood at about $12 billion. At the end of the fiscal year 1943 this investment stood at $37 billion. In 1939 the National Resources Board reported the federal ownership of real estate "approximately identical with the area of all the states east of the Mississippi River, excepting Alabama, Florida, Georgia and Mississippi." Since that time, says the Office of War Information, the federal government has added to its ownership an area somewhat larger than all six New England states combined. These, in over-all measurements, are the dimensions of collectivist statism in the United States today. The Byrd Committee on Reduction of Nonessential Federal Expenditures reported on November 18, 1943, that government ownership now comprises "twenty percent of the entire area of the United States." This figure does not include any public domain

in the territories. (*Senate Document 130,* 78th Congress, 1st Session, page 1.)

The government-owned corporation, with presidential appointees to the administrative agencies serving as trustees and directors, is the foremost instrument of our new socialism. At the end of the 1943 fiscal year, the Treasury listed sixty-three federal corporations and business associations, only six of which had been established prior to 1932. At the same time, the Citizens National Committee on Federal Expenditures reported that "thirty-two government corporations and agencies render no accounts to the General Accounting Office." This means that the operations of these public agencies are a closed book to the citizens who pay their bills. The last balance sheet of federal corporations made available to a committee of Congress, for the year ended June 30, 1939, showed a combined net loss of $1,654,000,000. In the charters of several federal corporations no limitations whatever are imposed upon the authority to issue obligations and debentures to the public.

"A great deal has been said about invisible government in the United States," said the 1943 report of the Citizens National Committee. "Government corporations are designed to escape the restrictions upon governmental activity. They are calculated to have the benefits of government resources, public authority, and official power without the controls which free government has placed upon the grant and exercise of official authority. . . . So far as is

known there is no one in the government of the United States, and no office, which is cognizant of the scope, ramifications, powers, and controls, of these agencies. Some of them are actually secret."

Such were the publicly audited facts behind the statement of Representative Wesley E. Disney of Tulsa, Oklahoma, in an address at Birmingham, Alabama, on October 15, 1943, that federal spending had reached a point of "stark, raving insanity."

"In 1940, a cool $99 million came out of your pockets for federal travel expenses, alone. In 1941, you paid $150 million for travel." (See appendix, Table VIII.)

The annual federal bill for nonmilitary telephones and telegrams runs $30 million, he added, and government printing costs about $65 million a year.

Three national banking systems head the list of government corporations, the Reconstruction Finance Corporation, the Federal Farm Mortgage Corporation and the Home Owners Loan Corporation. As the names indicate, these institutions cover every field of finance, from business loans to rural and urban mortgages. Yet they are the mere capsheaf of a great pyramid of federal holding companies. Affiliated federal finance corporations include the Bank for Co-operatives, Commodity Credit Corporation, Defense Homes Corporation, Disaster Loan Corporation, Electric Home and Farm Authority, Export-Import Bank of Washington, Federal Crop Insurance Corporation, Fed-

eral Intermediate Credit Banks, Federal National Mortgage Association, Federal Public Housing Authority, Federal Savings and Loan Insurance Corporation, Federal Deposit Insurance Corporation, War Damage Corporation, Production Credit Corporation, Regional Agricultural Credit Corporations, Smaller War Plants Corporation, Tennessee Valley Associated Co-operatives, Inc., the R.F.C. Mortgage Company, U. S. Commercial Company, and the United States Housing Corporation.

All such federal loan operations are subsidized by the Treasury, sometimes through salaries, office rent, printed matter and travel allowances, frequently through advances of vast public funds without interest. In an attempt to measure federal losses, the American Bankers Association sponsored a formal audit of twenty-eight federal Production Credit Associations in Kansas and Missouri. The results, as summarized in the *Congressional Record* for October 27, 1943, are taken from an extended analysis presented by Mr. Claude F. Pack, president of the Home State Bank of Kansas City, Kansas:

"Of the 14 PCA's in Kansas, 6 failed to have sufficient income from loans in 1942 to cover expenses, and in only 3 of them did the government own less than half of the stockholders' equity. In one case the average rate needed to pay expenses was 8.4 percent while the average rate actually charged was 5.6 percent. In this particular case 10 percent would have been required to pay operating expenses and allow 2.5 percent on the taxpayers' capital which the government is donating. . . . In 9 of the 14 Kansas

PCA's the average rate actually charged was *in*sufficient to pay operating expenses and 2.5 percent on the government investment.

"In Missouri the situation was even worse. Last year the government was furnishing 68 percent of the capital of the 14 PCA's operating in that State, and 9 of these 14 agencies did not collect enough interest to cover operating expenses. . . . Only 1 of the 14 had sufficient earnings to meet operating expenses and pay 2.5 percent on the taxpayers' investment."

"The American people are yet only half conscious of the fact that, in the short period of a decade, a great banking system largely owned and sponsored by their government, and operating under government subsidy, has come into existence alongside our private banking system," Mr. Pack continued. "A few years ago most people complacently took it for granted that the government's going into the business of lending money was a temporary episode, due to a great emergency. But the emergency is long past; the railroads are doing a land-office business and are now largely independent of the RFC; distress real estate not only is a thing of the past, but a great real-estate boom is actually under way; the American farm is experiencing a prosperity such as comes only once or twice in a lifetime. The emergency is past but the activity of the government as a money lender—especially in fields competitive with country banks—continues to grow."

Operating step for step with the financial agencies are a number of special corporations in the fields of production,

distribution, transportation, including the Alaska Rural Rehabilitation Corporation, the Alaska Railroad, Cargoes, Inc., Copper Recovery, Inc., Defense Plant Corporation, Defense Supplies Corporation, Federal Prison Industries, Inc., Inland Waterways Corporation, Inter-American Navigation Corporation, Metals Reserve Company, Panama Railroad Company, Puerto Rico Cement Company, Rubber Reserve Company, Steel Recovery Corporation, Tennessee Valley Authority, United States Housing Corporation, the Virgin Islands Company, and War Materials, Inc.

Following the legal corporations comes a list of unincorporated federal administrative agencies carrying on parallel functions in widely scattered fields, as the United States Maritime Commission, War Shipping Administration, Rural Electrification Administration, Puerto Rico Reconstruction Administration, Farm Security Administration, Federal Housing Administration, War Emergency Pipelines, Federal Subsistence Homestead Corporation, and Rubber Development Corporation.

As measured in pay-roll personnel, the Tennessee Valley Authority is the largest in these lists, with 41,086 employees reported by the Byrd Committee as of October 31, 1942. Next stands the Farm Security Administration, with 16,531; Agricultural Marketing Administration, 8,602; Reconstruction Finance Corporation (including thirty-two subsidiary loan corporations), 7,382; Federal Public Housing Authority, 6,831; U. S. Maritime Commission, 6,677; and Home Owners Loan Corporation, 4,249. Of the first

twenty federal corporations, as ranked by total personnel, only four employ fewer than 1,000 full-time workers. The combined pay roll for these agencies is tabulated by the Bureau of the Budget at roundly $30 million a month.

As corporation is piled upon corporation, financial control is entangled in a maze of conflicting and overlapping legislative and executive authorities, until every trace of constitutional restraint ultimately is obliterated. Similarly, cabinet officers are swept into a web of federal holding companies which defy every attempt at legal definition. When President Roosevelt, for example, signed an executive order in January 1943 nominating Harold L. Ickes to be Fishery Co-ordinator for War, he made his Secretary of the Interior, with eighteen federal jobs, the most titled administrator in Washington. Secretary of Commerce Jesse Jones, second in this classification, is active head of only eleven governmental agencies and corporations, although a director in thirty-three.

Time was when administration of the Interior Department—embracing as it does the General Land Office, Office of Indian Affairs, Geological Survey, Bureau of Reclamation, National Park Service, Bureau of Mines, the Fish and Wild Life Service, Grazing Service, and the Division of Territories and Island Possessions (including Alaska, Hawaii, Puerto Rico and the Virgin Islands)—was a full-time job. But Mr. Ickes now dispatches all this with a figurative left hand. His strong right he reserves for his duties as Fishery Co-ordinator for War, Petroleum Co-ordinator

for National Defense, plus lingering responsibilities under peacetime statutes which established him as Federal Oil Administrator. In addition to these four, he is also (5) Bituminous Coal Administrator, (6) Chairman of the National Power Policy Committee, (7) Solid Fuels Co-ordinator for National Defense and (8) a member of the Army-Navy Petroleum Board. At the same time he is a member of (9) the National Park Trust Fund Board, (10) administers the Alaska Railroad, (11) the Alaska Road Commission and (12) the Indian Arts and Crafts Board. He directs (13) the Advisory Board on National Parks, Historic Sites, Buildings, and Monuments and (14) the Bonneville Power Administration. Finally he is a member of (15) the Puerto Rico Reconstruction Commission, (16) the United States Board on Geographic Names, (17) the National Archives Council and (18) a director of the Smithsonian Institution.

In his spare time Mr. Ickes manages his 200-acre farm at Olney, Maryland, writes books on clean government, makes political, academic, or after-dinner speeches and every four years serves as delegate-at-large to his party's national convention. Should you call on him some time in Washington to negotiate some kilowatts, Navajo blankets, Virgin Island rum, coal, fuel oil, territories or fish, and be told, "Sorry, but he's in conference now," the odds are at least eighteen to one that he would be. The Press Gallery has honored him with the simpler title, Occidental Poo Bah.

No survey, official or otherwise, ever has succeeded in tracing the full pattern of federal holding-company operations. The Senate Finance Committee tried it once, in 1938, and came up a year later with a Budget Bureau itemization weighing about twelve pounds, and indicating approximately a billion dollars in federal debt liabilities for every pound. The work ended, however, on the note that five additional corporations then were in process of organization, and three others were in various phases of liquidation; so the whole picture simply could not be put together.

But the report did cover the field of construction mortgage financing pretty thoroughly. Here it revealed a tangle of intercompany loaning, buying and selling which should have given the Securities and Exchange Commission a fatal apoplexy of the holding-company "death sentence" department. But somehow it didn't. Holding companies, as it turns out, are devices of the devil only when they are not owned and operated by the federal government.

In official terms the federal mortgage business has been "streamlined," but no administrator knows today the total of the government's guarantees and liabilities in that field, or the percentage of losses likely to be liquidated ultimately from the Treasury. Reputable accountants estimate that a six-month audit of some ninety intertwined government corporations and administrative agencies would be required to fix positively Washington's total mortgage obligations.

When WPB priorities can be obtained, government-

guaranteed housing loans are made by the Reconstruction Finance Mortgage Company, a wholly-owned subsidiary of the RFC. Each loan is guaranteed as to principal and interest by FHA. The RFC then sells the government-guaranteed mortgages to the Federal National Mortgage Association, a wholly-owned subsidiary of the RFC Mortgage Company, which pools them as collateral under long-term government-guaranteed debentures sold to the public. Proceeds from sale of these debentures then pay off the RFC Mortgage Company, which, in turn, pays off the parent RFC for the original capital advance. The RFC then pays off the Treasury.

Nevertheless, the FHA guarantee still covers each individual mortgage to maturity, to protect the Federal National Mortgage Association against loss of RFC funds borrowed from Secretary Morgenthau, and since repaid in full to the Treasury!

By these tortuous operations, every agency is paid off; there are no federal losses. The public holds the mortgage bonds, which are guaranteed by the FHA, which is guaranteed by the Treasury, which is guaranteed by the people who hold the mortgages. Any losses which may develop with time will not show on the Treasury books, but on those of the FHA. But why think of losses when we have federal insurance?

Through the Federal Savings and Loan Insurance Corporation, a wholly-owned subsidiary of the Home Owners Loan Corporation, the government also protects deposits

in all approved building and loan associations. When in need of ready cash, the Federal National Mortgage Association also may sell its debentures to the twelve Federal Home Loan Banks, whose public issues likewise are guaranteed fully by the federal government. In addition, other types of construction loans may be obtained from the Farm Security Administration, the Defense Housing Corporation, the Alley Dwelling Authority, Rural Electrification Administration, Defense Plants Corporation or the Smaller War Plants Corporation.

Every so often a case bobs up in the courts challenging the authority of this or that administrator on the ground that he lacks constitutional power to exercise the functions at bar. Many such questions arose concerning the powers of the War Food Administrator, as related to those of the Secretary of Agriculture. For the former, authority flowed from the President, under the 1942 War Powers Act, but for the Secretary of Agriculture, authority flowed from legislative enactments accumulated over a period of eighty years. This legal difficulty was resolved at length by an amendment to a presidential executive order, thus described officially by the Office of War Information under date of October 1, 1943:

"The April 19, 1943, amendment to the Executive Order so defined the respective duties and functions of the Secretary of Agriculture and the War Food Administrator that

each has authority to exercise any and all powers vested in the other, by statute or otherwise."

Here, then, is an executive order vesting two administrators with full authority in each of two spheres. It likewise confers upon an emergency agency created in the first instance by presidential executive order all the powers and authorities conferred by Congress upon a Cabinet department since May 15, 1862.

L'état, c'est moi!

Although it operates no subsidiary corporations, the National Youth Administration illustrates an equally challenging aspect of executive-order bureaucracy—the tendency of agencies, once established, to swing into new fields without regard for legal authority.

The NYA was established by presidential executive order on June 26, 1935. The objective of the program, as formally reported to Congress, was "to assist young persons, who, without this aid, could not continue in school." In these terms the agency was ratified six times by Congress in continuing appropriations.

By the spring of 1942 the need for relief had passed. A manpower shortage already pinched essential war production. Did the relief agency, NYA, then retire gracefully from the scene? The Baltimore *Sun* suspected not, and sent two competent and experienced reporters, Carroll E. Williams and Louis J. O'Donnell, to the NYA apprentice training center at the University of Maryland to inquire.

They reported that, although shipyards throughout the country were restricting operations for want of sufficient electric arc welders, NYA had 1,500 on hand in its 125 "industrial training centers," not one of them connected to electric power, many still uncrated.

One Maryland shipyard holding a $9-million contract for three war vessels, needed only six welders. The manufacturer promised delivery "in six weeks to two months." Work on the naval vessels was suspended temporarily.

Often described in Congress as a pampered agency, NYA somehow had obtained Class A priority certificates for new machine tools—at a time when the War Production Board was commandeering old tools in private plants for transfer to war work, and when toolmakers were shipping their output across the continent in chartered aircraft to speed production of guns, tanks, planes and ships.

A Baltimore ordnance plant was directed by the War Department to purchase $250,000 worth of new machine tools.

"It will be six months before they are all delivered," the superintendent explained ruefully. But at that moment NYA had 1,750 power lathes, 250 drill presses, 250 grinders, plus several thousand shapers, planers, power saws, air compressors, punch presses, forges and electric furnaces. All these items then were on the priority lists of the War Production Board, about half of them in the "critical" category, many in the "very critical" classification.

For its new training-for-industry program, NYA as-

sembled 10,000 machine tools, valued at about $10 million. Some tool units weighed as much as two tons. WPB had urged publicly all war industries to work their machine tools three shifts seven days a week—168 hours. NYA Director Aubrey Williams estimated *his* machine shops were working about 50 percent of the time, based on a five-day, forty-hour-week training schedule—or approximately 20 hours a week.

Operating on a budget of $121 million for the year, NYA swerved sharply from peacetime boondoggling to *defense* activities several months before Pearl Harbor. In 4,000 "experience training centers," all projects were reclassified overnight. Woodcraft shops continued to make clothes lockers, but after the official "conversion" this equipment was labeled for army camps. Typewriter tables became "portable field desks." Transfer cases for old government records became "ammunition training boxes." Thus, when Congress put NYA under the economy microscope in 1942, all its activities were marked clearly, "Urgent—defense!"

NYA promotional literature soliciting industrial trainees offered "the finest shop equipment obtainable," and "welding and forge equipment of the latest production type."

Asked for an official inventory of NYA machine tools, Mr. Williams said such a list "would be misunderstood."

A survey of NYA training centers in four eastern states disclosed several million dollars' worth of new machine tools of all types still stored in the original delivery crates and other units, although uncrated, not connected to

power lines for operation. At the Beltsville, Maryland, shop new machine tools had been in crates for six months. At College Park, near by, more than fifty critical tool units had been stored for several months in the basement of the University of Maryland's Horticultural Building. At Manassas, Virginia, twenty-eight heavy-duty arc welders and six of medium-duty caliber lined the walls of an unfinished shop. At Norfolk, one of the largest shipbuilding centers in the country, NYA had twenty-four heavy-duty arc welders in a still unfinished building. At Lancaster, Pennsylvania, the NYA machine shop was abandoned after completion because of an inadequate water supply. This whole project, including its precious machine tools, was idle for three months while a new spring was tapped and a two-mile pipe line laid.

When WPB at length obtained legislative authority to commandeer machine tools in private plants, Donald Nelson's Machine Tool Section still could not obtain even an inventory of NYA's tools. D. S. Kimball, dean of Cornell University's engineering school, then was in charge of WPB's Machine Tool Section. Asked if he considered the NYA training centers "integrated with industry," he replied, "No."

The Office of Production Management (later SPAB, and then WPB) had inaugurated its own training-within-industry program in October 1940. It put men and women on actual production lines, to learn specific war operations on the machines they would operate later. Industry hailed

this program as eminently successful. NYA, on the other hand, could not equip itself to train for specific operations. At best it could offer only general orientation courses.

A complete tabulation of one year's production in the NYA shop at Baltimore comprised fewer than 7,000 items, including 4,365 stud bolts, one inch or shorter, 1,212 photographic prints, and 43 nickel-steel bolts. The shop at Hagerstown also turned out about 7,000 items for the year, including 3,752 ammunition training boxes, 1,306 stud bolts, 960 brass friction plugs, 6 portable field desks, 18 oak typewriter desks, and 1 intake flushing tank.

Interviewed on NYA's amazing stock of electric welders, William H. Labrot, shipbuilding consultant in WPB, said: "These arc welders are sorely needed for building ships. The shipbuilding program is being hampered by a lack of such critical tools."

Confronted by an unofficial tabulation of NYA's tools, Director Williams said many were old. Pressed that hundreds of tools still were in their new factory crates, Williams turned upon the questioner to shout: "You came here to interview me. Now I'm going to do the talking. You keep quiet!"

A joint committee of inquiry was created by the Machine Tools Section of WPB and the Army and Navy Munitions Board. This committee reported that NYA mysteriously had been granted 139 priority ratings for machine tools. A complete list of NYA's tools then was sent to all military branches and contractors, with notice that WPB would

"endeavor to get promptly any tool of the type on the list desired by them."

At the next ensuing session of Congress, NYA was cut off without an appropriation. Experimental socialism had got in the way of victory.

Undaunted, our planners already are contemplating new postwar aggressions upon the American system of constitutional government and private enterprise. Addressing a national radio audience on August 4, 1943, Secretary of Agriculture Claude R. Wickard told of his Department's studies of postwar problems in agriculture, and of efforts "to analyze some of the remedies which might be used to meet these problems." Are we to approach the peace by the traditional methods of freedom and democracy? Let Mr. Wickard answer:

> "Those at the meeting recognized that as a part of our postwar activities we must have sound programs for soil conservation, reclamation, flood control, forest development and conservation, rural housing, rural electrification, rural credit, better land tenure, and rural medical care, recreation, and education."

Our sprawling collectivist bureaucracy has swung from relief to war without changing stride. Today it moves to the peace in the same stride—the stride of single-entry, double-cross national socialism.

Amid a multitude of projects, no plan is devised.

—PUBLIUS SYRUS

CHAPTER VII

FLIER IN COFFEE

Bureaucracy brewed a mess in coffee over a period of seventeen months and then decided to abandon rationing, because there was no more storage space available for surplus stocks piled up during the cup-a-day era. So bountiful were these stocks that when federal restrictions were relaxed, roasted coffee declined for a time about six cents a pound on the New York market. Coffee experts, in government and out, insist there never was any need for rationing, beyond those abnormal situations actually created from time to time by confused government actions and policies; and the history and statistics of the trade between December 1941 and May 1943 appear to give weight to their views. With eleven federal agencies dipping into the coffee pot—on prices, quotas, shipping allocations, types and grades, packaging, trucking and inventories—importers and distributors simply were unable to operate. The whole experience is worthy of examination, for it presents for the first time the complete cycle of bureaucratic ineptitude, from plenty to panic back to plenty again.

Six months after coupon rationing began in the United States, coffee was piled high on all the wharves of Latin America, vast quantities of it rotting in unprotected storage. At several major ports rail embargoes had been proclaimed against additional shipments from the interior. During these six months Brazil had destroyed more than 1,300,000 bags of coffee under her national stabilization program—132 pounds to the bag.

Even when a vessel was at dock awaiting cargo, not a bag of our good neighbors' mountainous coffee stores could clear for the United States until an import license number had been cabled from Washington for each consignment. Often, when the importer's application was delayed in the bureaus for a week or ten days, the vessels loaded with other commodities, or sailed with only the partial cargo of coffee for which U. S. permits were at hand.

In that interval coffee ships frequently steamed from port to port seeking cargo properly covered by Washington permits; other shipmasters often squandered precious days, sometimes a week, waiting for permit clearance. Because of such losses of shipping capacity, the trade estimates that the limited fleet assigned to coffee probably did not operate at 75 percent of capacity.

But matching import permits with available cargo space through several thousand shippers scattered over fifteen American republics was only one segment of Washington's program. OPA governed prices, BEW assigned ships, CCC subsidized war-risk insurance, the State Department ap-

proved import quotas and the WPB managed inventories. Insistent pleas that one administrative agency, instead of eleven, might do a better job simply were noted in Washington and filed for future reference. Meanwhile, 83 million U. S. coffee drinkers, reduced from an average of two cups a day to one, accepted the curtailment order with traditional American spirit and good humor. "Join the Navy and get a second cup of coffee," suggested the New York *Sun*.

Unrestricted wartime consumption, said WPB, would run about 1,400,000 bags a month. Average U. S. arrivals during 1942 were about a million bags. Six good cargoes every month would have more than made up the deficiency.

The ships were needed more urgently for other war items, contended the Interdepartmental Committee on Shipping Priorities. But importers replied that considerably more than the needed margin of coffee tonnage was being dissipated through unnecessarily rigid and burdensome federal controls. As one importer wrote to Jacob Rosenthal, Chief, Conservation Orders Section, Food Branch, WPB, on September 11, 1942:

"Recent policies, not shipping losses, will be responsible for coffee shortages that are certain to develop in the future. The public may not be aware of this, but the entire coffee trade is. We know of several instances where coffee boats arrived recently with empty space, owing to buyer's inability to obtain permits."

On November 10, 1942, a New York importer learned of 2,000 bags of shipping space available at Santos. He directed his Brazil agent to fill it, subject to import license number by cable. Telegrams and long-distance calls to Washington brought the answer next day: "Permit denied; your 1942 quota filled." Before the trader could transfer the precious space to another importer the ship had cleared—with more empty coffee space gliding majestically to New York!

At the suggestion of our State Department, Colombia combed her rivers and harbors for emergency coffee bottoms—anything that would float. A considerable fleet of nondescript craft was assembled, ready to load, when flash! came the word from Washington that no additional coffee licenses would be issued over the previously determined total assigned by the War Shipping Administration. A like policy touching Brazil, normal source of almost two-thirds of our coffee imports, was announced by WPB on September 10: "In view of the relatively large number of existing contracts, it would be out of the question for us to recommend authorizations for new purchases from Brazil."

On October 16 a New York importer applied for a permit covering 1,000 bags, adding, "Our shippers are ready and able to ship it." Freight charges were deposited by cable in Rio. But no reply was received from Washington until November 9, by which time the boat probably was slowing down for Baltimore. Commenting on these ton-

by-ton allocations of shipping space, William F. Williamson, secretary of the National Coffee Association, said on October 27: "BEW gave preference to castor oil, babassu nuts, beef bones and glue."

As the Latin American republics came into the war on the side of the United Nations, importers publicly expressed hope that convoy routes would be established through the Caribbean, "much as they have been in transporting Scotch whiskies from Great Britain to the United States."

Importers are proud of the fact that visible supplies of coffee in the United States actually *increased* by about 100,000 bags during the first seven months after Pearl Harbor, when Axis submarine warfare in the Atlantic was at its height. In the summer of 1942 the submarines were licked all along the coffee routes. Yet August-November coffee arrivals were only about three-fourths of the March-June totals. Government control of all shipping space, both northbound and south, had begun on July 2, effective date of WPB's celebrated Order No. M-63.

On each transaction under this order the coffee importer was required to get a shipping permit from WPB, qualify as a buying agent of the Commodity Credit Corporation, obtain shipping space from the War Shipping Administration or the Board of Economic Warfare—all this before he might buy a pound of coffee. Then he was required to certify that the purchase was within the international quota of the shipping country and within his own U. S.

selling quota; that the transaction did not involve any firm or person on the State Department's list of blocked Axis nationals in Latin America; finally, that the shipment would not enlarge his total stocks beyond a normal sixty-day supply. Before all these conditions could be certified in triplicate on the prescribed official forms the coffee boat often had sailed—without the coffee.

Since there was adequate coffee, without rationing, when sinking losses were heaviest, why rationing after the subs were licked? A fair question, say coffee men.

"The answer is simple," responded Ben Wallack, a veteran member of the New York Coffee and Sugar Exchange. "Since July 1942 a Coffee Bureaucracy has arisen in Washington, so inefficient and incompetent that they have created a bottleneck. They took months to organize themselves, during which time all business and imports were restricted, and now we are suffering the consequences."

Nor do these views represent the hindsight of the trade. Three months before household rationing was announced, Mr. Wallack published the statement:

> "I predict that we are going to have a coffee shortage within the next few months, which will give the OPA all the excuse it needs for rationing. When it does come, the blame must be put where it belongs, namely, on bureaucratic bunglers, not on ship sinkings."

Total coffee sinkings during the first year following

Pearl Harbor are estimated by the trade at only 500,000 bags. This would explain one month's U. S. deficiency. How explain the balance? Certainly there is an abundance of coffee. From establishment of Brazil's stabilization plan in 1931, total coffee destroyed up to January 1944 was 82 million bags, or more than five years' normal supply for the United States.

Federal coffee controls began on December 9, 1941, two days after Pearl Harbor. At the request of Price Administrator Henderson, the coffee exchanges suspended "until further notice" all trading in contracts for future delivery. Two days later tentative price ceilings were proclaimed for green coffee. The futures contracts frozen at December 8 prices were not released for liquidation until April 22, 1942. During this period of nineteen weeks many, if not all, coffee importers found most of their working capital immobilized in the frozen contracts. This left a number of great houses powerless to buy or sell at home or abroad. Almost overnight the world-wide economic mechanism centered in the U. S. coffee exchanges was paralyzed—precisely at a moment when every consideration of national interest dictated aggressive and all-out mobilization of trading energies and resources. Instead of buying and selling at high pressure while ships still were available (Brazil did not temporarily suspend sailings until March 10, 1942), U. S. brokers, importers, roasters and distributors were hanging on by their financial fingernails as they swapped notes hourly on the latest grapevine rumors from Washington.

On December 29, 1941, the tentative price ceilings were superseded by a new schedule itemizing more than 200 types and grades. But this "final" price schedule was amended on January 30, 1942, and again on February 21, March 10, March 16, April 18, July 14 and August 12. What, then, in this period of nine months *was* the official price at which an importer might plan to sell coffee? Yet to sell above the official price for a given interval would have been a criminal act.

When mounting confusion over these rules and regulations threatened a complete breakdown of wholesale distribution, Deputy Price Administrator John E. Hamm undertook on March 31 to clarify the situation with this official thunder: "Ignorance—professed or actual—of the provisions of the price schedule never has been a legitimate excuse for evasion."

In the three-week interval between the tentative and final price ceilings, no one in the trade even could guess what the official price might be on the morrow. Coffee was frozen tighter than anyone in Washington imagined. Measured in terms of normal operations, these weeks of paralysis, according to reputable trade estimates, probably cost the United States close to a million bags of coffee—the excess volume which might have been negotiated and booked at foreign ports had the trade been free to operate in the light of its own experience and appraisal of war developments. These extra million bags in a single month would have twice covered, as it turned out, our total submarine losses of coffee for the entire year.

Watching this gradual shackling of the import trade, U. S. roasters and distributors began to grow jittery, and when OPA announced on January 30, 1942, that it foresaw the possibility of wholesale allocations at some undetermined future date, with import licensing probably to follow, all elements of a national buyers' panic immediately were at hand.

With the opening of the Axis submarine attack in January 1942, skyrocketing war-risk insurance rates at once pressed against Mr. Henderson's final price ceilings of December 29. Soon the cost of coffee delivered at U. S. ports was *higher* than the official selling-price ceiling. In these circumstances, the more coffee a merchant might contrive to land and sell the quicker the sheriff would come at him with the bankruptcy forms. Not until January 30 did OPA break this log jam with an order authorizing higher ceilings to absorb the new insurance costs. But another valuable month had been lost—and with it another million bags of coffee for the stock pile.

As the buying stampede gained head in February and March, new federal controls obviously were inescapable. The WPB limited dealer inventories, and restricted wholesale deliveries to 75 percent of the previous year's total to each distributor; then to 65 percent, then to 40. Next the Commodity Credit Corporation absorbed the war-risk insurance on all coffee—a subsidy of about three cents a pound. Finally, on June 5, WPB announced item-by-item licensing of imports, effective July 2.

This order (M-63) suspended all trading pending assignment of a quota to each importer. There were many forms to be filed—questionnaires, inventories, contract statistics—by reason of which the new quotas were not actually fixed and proclaimed until mid-August. During this interval of ten weeks it was illegal for any U. S. importer to book coffee anywhere in the world. Even open contracts were ordered reported in detail to WPB, each now subject to an import license. It was the new air pocket in supplies created by this third interval of utter paralysis within seven months, which at length forced consumer rationing.

With so many agencies now managing coffee, conflicting directions from two or more Washington offices became a part of the trade's daily routine. At one point, for example, the Board of Economic Warfare, the Commodity Credit Corporation, WPB, the RFC, and the Office of Lend-Lease Administration got their coffee signals jumbled badly. The trade screamed for a clarifying edict. It came on July 14 in this language:

> "It is a matter of agreed policy among interested government agencies to afford full protection to any importer who has already acted on instructions or representations from any authorized government agency, even though procedure and policy subsequently may have been changed."

Stripped of bureaucratic legalisms this amazing order said simply to the coffee trade: "We're not sure just what

we're doing down here, but pending determination on that point do exactly as you are told by whoever writes to you first from Washington. Somehow, we'll see you through on it."

One large importer commented in the trade press: "I think it started out to be planned economy, but it's heading smack into planned confusion."

The same basic coffee problems arose in World War I and were met without rationing. At the outset the shipping pinch was about equally difficult. The Coffee Division of the Food Administration was established in January 1918. Importers were licensed, pledged to curb profiteering and excessive speculation. The exchanges remained open. The Food Administration charged the trade to maintain at all times a minimum stock pile of 1,500,000 bags of Brazilian; won from the Shipping Board a rule that every inbound ship from Latin America must carry a fixed percentage of coffee cargo. Enforcement of the entire program was left largely with a special war committee appointed by the trade. All policies and regulations were centered in one compact administrative unit in Washington, under direction of Mr. George W. Lawrence, then president of the New York Coffee and Sugar Exchange. Government did not undertake to pass individually upon every 100-bag import transaction. At no point was the industry frightened, threatened, and paralyzed by confused, conflicting, or unworkable executive orders from half a dozen federal agencies on the same day, or alarmed

by periodic official declarations anticipating short supplies a month or two forward. The whole program was liquidated in January 1919.

Such was the history supporting the published comment of a representative trader in August 1942:

> "There never was any excuse for a coffee shortage. The bunglers in Washington created it. There never was any need for them, and there is no need for them today. If they went out of business tomorrow morning and the trade were returned to its proper place and function in the business world, there again would be a comfortable surplus within two months."

And so there was!

If public officers will infringe men's rights, they ought to pay greater damages than other men....

—LORD HOLT

CHAPTER VIII

RISE AND FALL OF OPA

WHEN OPA was two years old it submitted its annual budget for the fiscal year ending July 1, 1944. This budget called for $177,335,000—or about $25 million more than had been appropriated for the entire United States Navy during the fiscal year 1916.

For the year prior to our entry into World War I, our Navy appropriations totaled $153,853,567. The fleet then comprised 346 vessels of about 1,500,000 tons' displacement. The officer and enlisted personnel numbered 66,653 men. No wonder, then, that when the 1944 OPA budget reached the Appropriations Committee of the House there was much lifting of eyebrows.

"What are those fellows doing down there? Are their operations worth $25 million more to the country than were the operations of the entire naval establishment in 1916?"

These, as it turned out, were fair questions; because nobody in Washington really had a clear conception of what

OPA was doing. Informal inquiry developed that OPA itself was not altogether certain.

The venture had been launched in April 1941 as the Office of Price Administration and Civilian Supply. It was an Executive Order Agency—created not by law, but by presidential decree. The staff consisted of Leon Henderson and some eighty office assistants. To begin operations, the the President allocated $75,000 from emergency funds pending enactment of the next supplemental appropriation bill.

The whole venture looked harmless enough. But the work expanded prodigiously. Every time one price was fixed, another got out of hand. The Price Control Act was passed early in 1942, and in April of that year OPA's first annual budget went to Congress. It contemplated an organization of 90,000 persons. The funds requested were $110 million. Congress whacked off $20 million. Henderson resigned in December. Prentiss Brown took over. Then the *second* budget asking for $177,335,000. Congress determined to have a look-see.

Committee members were surprised to learn that OPA, through mountains of orders and regulations, was attempting not only to control all prices and rents, but to dictate styles in women's stockings, audit retail and wholesale grocery inventories, prescribe manufacturing processes for hot-water bottles, define roast beef, fix profit margins in fifty-six industries, and limit the length of Santa Claus's whiskers in the department stores.

Congress launched three simultaneous investigations, one through the Truman Committee of the Senate, a second through the House Committee on Small Business in Wartime, and a third through the Smith Committee on Bureaucratic Excesses. Before these three committees American businessmen for the first time were afforded a hearing on the difficulties and obstacles placed before them by OPA rules and regulations.

A spokesman for the apartment-house owners of Cleveland charged bluntly that rent-control officials were animated by undisclosed motives. Said this witness:

> "A personal opinion, which was developed from my contact with certain officials of the Rent Section, is that the men charged with administering this act have sabotaged it, either as a result of their total ignorance of the business they are charged with administering, or deliberately with subversive intent. Eleven months ago I would have preferred to accuse them of ignorance. But today I am inclined to accuse them of subversive intentions."

In Virginia, a local real-estate board charged that OPA rent controls had advanced "to the point of confiscation and control of property without trial or due process of law."

In the same vein, Rivers Peterson, managing director of the National Retail Hardware Association, charged that independent dealers were being forced out of business because of excessive and burdensome OPA regulations which attempted "to control every element of the trade."

Earl Constantine, president of the National Association of Hosiery Manufacturers, testified: "Misunderstandings, suspicion, and even malice are what we have experienced with OPA." He urged honest consultation with each industry before regulations were promulgated.

In New York 2,000 restaurant owners threatened to close their doors unless rationing rules were simplified.

Within the corridors of OPA these protests echoed ominously. But the planners were unperturbed. Long since had they ceased to be concerned over the wails of businessmen. In the OPA world it long since had become axiomatic that no one could be really hurt so long as he dealt only with *Other People's Assets.*

Many complaints reaching Congress from the business community charged that confusion in OPA orders flowed chiefly from divided sentiment among the bureau administrators as to the ultimate ends to be achieved. Congress established OPA as a *price-control* mechanism, providing in Section 2-h:

> "The powers granted in this section shall not be used, or made to operate, to compel changes in the business practices, or cost practices, or methods, means, or aids to distribution established in any industry, except to prevent circumvention or evasion of any price ceiling established under this act."

In this language Congress clearly contemplated the preservation of our established business methods and dis-

tribution systems. Price controls were to be imposed, not upon some idealistic scheme of distribution, but upon the American system of competitive free enterprise as it then functioned.

Instead of following this explicit mandate of law, many OPA administrators seized upon the price-control mechanism as a heaven-sent opportunity to reorganize the whole pattern of American business along the lines of state socialism. In some lines, they presumed to reduce or eliminate entirely the normal margins of profit. In others they undertook to limit inventories arbitrarily, and to prescribe standards in packaging and retail services previously undreamed of in the United States. Amid all this eager reform, the major job of controlling prices often became almost a secondary consideration.

Testifying before the House Small Business Committee, Rowland Jones, representing the National Association of Retail Druggists, thus presented the reform aspect of OPA operations:

"We believe that the Office of Price Administration has much more important tasks facing it than an attempt to revolutionize any business or industry. The wide dispersion of activity by OPA is responsible for its failure to deal successfully with the main issue and its main job—the control of the upward spiral of inflation. OPA has embarked upon procedures that constitute meddling in all the technical and economic details of management in 1,700,000 retail establishments. This must stop if distribution is to

survive the impacts of total war and continue its function as quartermaster for the American people."

Jones pointed out that while retail druggists were frozen at their March 1942 prices on 99 percent of their volume, every item of operating cost, including wages, rent, maintenance and inventory replacement, continued to advance from month to month.

"OPA has allowed costs to mount to a point where the druggist has three choices: (1) lose money; (2) violate the law; or (3) go out of business. We believe some fatalities among retailers are inevitable; but if the maladministration in price control is not corrected, the death rate for small business enterprises will be enormous. If not corrected, prevailing price-control policy will continue to grope in the maze of its own making; black markets will absorb more and more of the goods available for civilian consumption; and in the end the degree of inflation will not be less than it would have been had we had no price-control legislation at all.

"Only Congress can now clear up the administrative chaos that has resulted, not only from a defect or weakness in the law itself, but from the failure of those in administrative responsibility, who insist upon going far afield, far beyond the purpose and methods envisaged by Congress. Usurpation of authority has been the rule, rather than the exception, and the end is not in sight."

After freezing all *retail* prices at the March 1942 level, OPA authorized numerous price increases at *wholesale,* forcing retailers to absorb the entire burden. On one bio-

logical chemical, an increase of 18 percent was authorized at wholesale. But OPA required the wholesaler to notify each purchaser that the increase must not result in a higher retail price. This order cut the retailers' margin in half. By this device, several hundred wholesale ceilings were lifted without any concurrent increase in the retail ceiling. "It is economic murder, so far as the retailer is concerned," Jones told the House Committee.

In another case a candy manufacturer was authorized to increase his price by 6.25 percent at wholesale. The order required that the trade announcement carry this language: "The OPA has not permitted you or any other seller to raise maximum prices on the sale of said item. In order that we may continue to supply you, it will be necessary for you to accept this reduction in your margin." In this instance the item in question did not offer an average retail margin of 6 percent. The net effect of the OPA order, therefore, was to require it to be sold at a loss by the retailer, if he offered it at all.

"In orders of this type," Jones testified, "the OPA, in violation of the statute, says in effect that the usual and customary profit margins may be reduced by executive order at the whim of the bureaucrats."

In another instance, the War Labor Board authorized an increase in wages in certain cigar factories. OPA then followed with permission to eleven manufacturers to increase their ceiling prices by the amount necessary to cover the wage increases. But here again the authorized increase at

wholesale was combined with a warning that the retail price must not be advanced.

At another point, OPA authorized distributors to discontinue certain long-established trade discounts, which had been frozen in the original General Maximum Price Regulations, and once more the order stipulated that the resultant price increase must not be passed on at the retail level.

On November 7, 1942, certain drug distributors were authorized to increase their wholesale ceiling prices on six items, on condition that the increases would not be reflected in retail prices. In case of hardship to the retailer, the order provided that he might apply for relief at his district OPA office, "provided that such action must be taken not later than November 30." In this instance, most retailers did not learn of the authorized increase until November 14. They then had two weeks in which to obtain local adjustments to avert elimination of their margins. Of course, no distress petition to OPA can be "processed," as they say in the bureaus, in two weeks. Usually six weeks is the best possible clearance time.

Reviewing a score or more of these retail squeezes, Jones concluded his testimony:

"We ask the question point-blank, Does a workable plan for inflation control require the elimination of a substantial segment of American small business competitors in distribution? If so, we are entitled to a frank answer from the OPA and a determination by Congress for or against this pattern of economic and social thinking."

Another device developed by OPA authorizes concealed price increases through a reduction in weight or package volume. In the case of one candy specialty, the weight was reduced by 10 percent, the OPA order stipulating that the old retail ceiling, originally fixed for the larger package, might be continued for the smaller. Here, in fact, is a 10-percent price *increase* passed along in the habiliments of price maintenance. In the Orient this is called "saving face."

For some reason undisclosed in the National Archives, OPA fixed a wholesale ceiling price of $2.50 per cwt. for Louisiana potatoes. At the same time, the Texas price was fixed at $3.75 per cwt. Thus Louisiana potatoes trucked across the state line brought 50 percent more than when sold in the accustomed local market. These muddled price ceilings instantly disorganized the whole pattern of potato distribution in that area, diverting normal supplies from New Orleans to create an acute shortage, while overflooding adjacent Texas markets, where the higher ceilings prevailed.

"The fault lies solely with OPA," said Representative James H. Morrison of Louisiana in presenting this case to Congress. "I read in the papers that New York City is without potatoes. Washington is short of potatoes. And yet there are tons and tons and tons of potatoes right there in the ground in Louisiana that may never be dug. Why? Because they have a ridiculous ceiling price of $2.50. Either

there is an ulterior motive behind this whole thing, or it is based upon gross incompetence."

Morrison presented a survey by the Louisiana Agricultural College predicting that, if the $2.50 ceiling prevailed, Louisiana farmers would not put in a summer crop to supply early potatoes in 1944.

> "I have been told all about these theorists who sit behind big mahogany desks in Washington with a slide rule and work out such miracles as postponing the lambing season, taking off the horses' shoes at night and putting them back in the morning, but I had my doubts that Prentiss Brown would let them operate in his department. If this ceiling price of $2.50 is not changed, I predict that thousands and thousands of tons of potatoes will rot in the ground."

Since 1941, OPA has established fifty-four Industry Advisory Committees. In theory, each industry is consulted on forthcoming regulations and orders. OPA then inserts a stock sentence in every price-fixing decree:

> "So far as practicable, the Price Administrator has advised and consulted with representative members of the industry which will be affected by this regulation."

This language skillfully glosses the fact that, under OPA regulations, the Industry Advisory Committees may act only in a consulting role. One set of regulations governing the operation of these committees reads in part: "It should be noted carefully, however, that committees are advisory only, and that *all decisions are made by the government.*"

Another section of these unpublished regulations says that the committees may discuss any subject pertinent to the war effort and "furnish advice and recommendations to the Government Presiding Officer *when requested to do so.*"

The regular practice has been for OPA to draw up its orders and then call a meeting of the Industry Committee. The OPA Section Chief appears at the meeting, reads the regulation and announces the effective date. The industry representatives have no authority to veto the proposal or change the effective date. Illustrating this method of consultation, one industry representative testified before the House Small Business Committee: "The provisions and subject matter of these regulations were not known to us until they appeared in the *Federal Register* and had become final."

Similar testimony has come from many witnesses, all of it indicating that the Industry Advisory Committees are, for the most part, mere window dressing to conceal from public view the autocratic and dictatorial operations of the OPA collectivist hierarchy. In one instance members of an Industry Committee were summoned to New York from all parts of the country, one from Seattle. At the appointed hour the OPA Section Chief entered the room, read the new order, explained the theory behind it and bowed out, with the statement that he must hasten to catch his train to Washington. The whole performance did not require twenty minutes. The industry representatives were speechless. Twenty-two business managers had left their plants in

seventeen cities. Their combined travel expenses to and from the meeting were tabulated at $4,750. They had not been permitted to discuss the new order even to the extent of securing an authoritative interpretation of its scope and application. Yet this performance enabled OPA to insert in its published text the routine gibberish to the effect that the industry had been consulted!

Price and rationing difficulties arise in part from the fact that OPA does not know from month to month how much food is being purchased or held by the Agricultural Marketing Administration for the Federal school-lunch program, for the Japanese relocation camps and other non-military projects. The lavish distribution of food through free school lunches is suggested by the documented experience of the village of Onsted, Michigan, as presented in Congress. In response to a federal inquiry, the School Board reported a total of 354 pupils. A week later a government truck arrived with 864 cans of evaporated milk, 312 pounds of cheese, 150 pounds of butter, 288 cans of pork and beans, 300 pounds of dried beans, 600 pounds of white flour, 600 pounds of graham flour, 30 bushels of sweet potatoes, 240 cans of grapefruit juice and 32 bushels of apples.

"As President of the School Board, I checked these foods personally and know the above figures to be true," said the first report to Congress. "This is more butter than we could use in a three-year period. The same is true as to

flour, beans and cheese." In concluding his report, the President of the Board asked: "Is there a shortage of these foods? Do our Allies need these foods? What is the game anyway? I am writing you because I feel you should know some of these things. I hope this tangled mess can be worked out for the good of everyone concerned, and some of the waste in government affairs eliminated."

The Congressional investigation resulted in the return of most of these commodities to the Agricultural Marketing Administration's warehouse at Adrian, Michigan. In bringing the case to the attention of Secretary Wickard, then Food Administrator, Congressman Earl C. Michener observed: "It is difficult to make the taxpayers of a community like Onsted understand why they are not able to go to their local merchants and buy and pay for commodities which they want, while federal bureaus are delivering unwanted quantities of the same foods, without cost and without request, for free distribution through the schools. One agency of government demands rationing of these foods, because there is a scarcity, while another agency apparently is having difficulty in emptying its warehouses of surplus foods."

Citizens interested in the voluminous correspondence and documents in this case may find them spread upon three pages of the *Congressional Record* for December 8, 1942—just one year after Pearl Harbor—beginning at page A-4546.

More recently, Congressman Frank A. Barrett of Wy-

oming told the House on May 3, 1943, of extravagant food surpluses at the Heart Mountain Relocation Camp near Cody, where some 10,000 West Coast Japanese are interned for the duration. The assistant steward at this camp resigned in indignation and reported the situation to the Denver newspapers.

"They found stored there," Congressman Barrett related, "sufficient rationed goods to maintain these 10,000 Japs for three years and seven months. They found Fordson tractors in abundance, and farm machinery of every description, such as is rationed and allocated to the farmers of Wyoming. Some of these tractors are used for field racing for the amusement of the Japs. They found 120 sets of mule harness, but no mules."

Among the food stocks on hand were:

268,293	cans vegetables
141,405	packages cereal
61,914	jars jellies and jams
58,840	pounds macaroni and noodles
10,320	pounds beans and peas
6,853	gallons mayonnaise
10	cases corn flakes
1	carload oranges
1	carload grapefruit

Following tabulation of these items in the *Congressional Record,* the War Relocation Board promised a prompt and thorough investigation of this facet of national planning. It was only a coincidence that these matters were aired in

Congress two weeks before the international food conference opened at Hot Springs, Virginia, to the ringing slogan, "Global abundance."

Grocers, perhaps, have been harder hit by conflicting and overlapping OPA orders than any other retail group. When OPA began, there were roundly 575,000 retail food outlets in the United States. Today those stores still in business are governed by 29 maximum price regulations, 63 other price controls applicable at the processor, wholesale, or jobber level, plus 10 general ration orders governing food products. All of these regulations are subject to amendment from day to day. The General Maximum Price Regulation, for example, was amended 160 times in 13 months; and there were 15 supplementary orders issued under it. The average retailer is simply unable to read and digest this mass of material governing his daily operations.

In one case a general price order was issued on May 10, 1943. On May 13, OPA indicated through the press that these price tables would be changed again. While retailers still were remarking their stocks in line with the May 10 order, OPA issued the revised order over the week end of May 14-16. In this case, the official text of the May 10 order was not available in mimeographed form at OPA headquarters until about 5:00 P.M. on May 13, although the text had been published in the Federal Register for May 12, to be effective May 10.

All of these official lapses and confusions impose a ter-

rific burden of accounting and record-keeping on even the smallest grocery stores. Nor can the great chains hire the additional help required to keep their books and records in the manner prescribed by OPA rules. There are now so many ration periods, each covered by a different stamp, that retailers often cannot keep straight the validity of the various coupons. All this has driven many shopkeepers to the point of distraction, and thousands have abandoned business voluntarily.

After an inquiry extending over some ten months, the Smith Committee reported to the House in November 1943 that it had found in OPA "an ominous picture of the early, preliminary steps to dictatorship." This investigation had been authorized on February 11, 1943, under House Resolution 102, 78th Congress, 1st session.

"Your committee has found, not only that the Office of Price Administration has developed an unauthorized and illegal judicial system but that through the mass of rules and regulations daily enacted has also developed such intricate and involved administrative review machinery that litigants are completely bewildered. . . . This situation must be changed, and changed immediately, if our form of government is to endure."

In an earlier report on rent controls, this committee had said (Report No. 699, 78th, 1st, July 27, 1943):

"By means of its regulations regarding evictions, the Rent Department of OPA has set aside and over-ridden State and local laws in all except three defense-rental areas,

and has attempted to 'educate' the courts to do likewise, thereby acting beyond the scope of its authority and invading the constitutional rights of citizens. . . . OPA grants permission to public housing to increase its rentals to the comparable market levels, but denies to private housing this right, even though the rentals in the private housing were kept below the market level as a result of Federal Housing regulations."

By making it harder to do business, in whatever line, OPA has served to hamper, curtail and retard production and distribution precisely at a time when every energy of the nation should be mobilized for maximum efficiency and economy of manpower. Its bureaucratic lawlessness has imposed a heavy unnecessary burden on the whole war effort.

Every business interest acknowledges the need of wartime price controls. Every segment of the population is eager to co-operate in all practical and workable measures against the ruinous spiral of inflation. But these ends are to be realized only by practical economic measures administered within the bounds of constitutional authority. They are not to be accomplished by collegiate administrators who refuse to allow an experienced businessman inside the door, nor by a phalanx of last year's law graduates imbued with the hateful ideologies of European collectivism.

In our heavy industries, a fabulous war production has been accomplished in thousands of plants. In each plant was the priceless ingredient of old-fashioned American "know how."

Price control also can be accomplished. But the job demands some "know how." If OPA can't supply it, another agency must. American business has a job to do. It is pledged and determined to maintain the home front to victory. That means food, clothing, shelter and transportation for everybody.

When and if OPA gets in the way of that job, it's going to be just too bad—for OPA.

A good character carries with it the highest power of causing a thing to be believed.

—ARISTOTLE

CHAPTER IX

GRADE-LABELING CRUSADE

BUSINESS never has been able to measure the value of good will—the "priceless ingredient" of every product and every commercial relationship. American management spends hundreds of millions a year to build and maintain cordial public acceptance of names, brands, trade-marks and service slogans. The story still is told of the young woman tourist from Omaha who, upon first sighting the Rock of Gibraltar, hastened to the ship's captain to ask breathlessly, "But where's the Prudential sign?"

Yet one school of eager young men and women in Washington insist that such values are not real. Indeed, brands and trade-marks are symbols—they would have us believe—of economic waste. Why not put peaches in cans by government standards, let every can be the same, and save the cost of labels, advertising, brand acceptance?

True, some folks prefer large, sweet peaches, while others like small, tart fruit. But never mind about consumer preferences. Grade labeling will give the housewife what's

good for her. And if she doesn't like the government grades of peaches, let her eat apricots.

Washington, like Hollywood, always is in a feverish "trend." It is a city of slogans—"Balanced Abundance," "Parity," "Compensated Economy," "The More Abundant Life," "National Planning," "Ever-Normal Granary." Today's great cocktail topic of the thinkers is "Grade Labeling." As a trend, it's not really new. The subject has been tossing around in the Fabian tracts for some twenty years. But for a Washington wartime rage, it's an ideal shibboleth. It's a war measure; it protects the consumer; it curbs monopoly; it levels supply to a slide-rule federal standard. Maybe it even helps in the fight against inflation, for it eliminates the thirty-five-cent luxury can of peaches and raises the fifteen-cent can to twenty-five cents! After being applied to foods, it could be extended to textiles, then to shoes and leather goods, stockings and underwear, then to automobiles, tractors, watches and radios. As far as the imagination can reach, no bureau ever need consider its job really finished.

The crusade was pitched before Congress for examination in February 1943, when Representative Charles A. Halleck of Indiana sponsored a resolution directing the House Interstate Commerce Committee to investigate all rules and regulations of the war agencies which appeared "an attempt to change our domestic economy along lines not authorized by Congress."

Under this resolution, the Committee inquired into pricing, simplification and standardization rules proclaimed by OPA for foods, women's hosiery, work clothes, drugs and cosmetics, and underwear.

Representative Halleck said, in summarizing the hearings:

"It has been obvious in recent years that there have been set in motion in Washington certain forces which aim at overhauling our whole economy. This work sometimes is hidden in subtle legalistic phrases, but occasionally is revealed in the brazen assumption of powers or the reckless abuse of authority. This school teaches that men and business must be made subservient to an all-powerful bureaucracy. And if it has its way ultimately, this bureaucracy will dictate the color of your toothbrush, the length of your trousers, and the number of stitches per inch in the hem of your undershirt.

"I have watched this strategy over a period of years. The attack most often has been indirect. But under one camouflage or another, this group systematically has attacked our American business system at two points—national advertising and trade-marked brand names. Why always at those same two points? Because the minds which direct these forces recognize that brands, good will and advertising are the keystones of our free-enterprise system. Cripple those, and you cripple the whole system. Stymied in peacetime by the nation's instinctive resistance to economic revolution, these forces now have seized upon the war emergency as a new camouflage."

Many administrative difficulties in OPA flow from the fact that the staff thus is suspected widely, both in Con-

gress and in the business community, of advancing reforms under the protective screen of war controls. Such fears appeared to be confirmed for the investigating committee when it discovered, for example, that A. C. Hoffman, a ranking officer in the Food Price Section of OPA, had written the now famous *TNEC Monograph No. 35,* which advocated strong federal curbs on advertised food brands.

"One of the aspects of modern food distribution which the writer finds much to his dislike is the growing expenditure of money for brand advertising of food products," Hoffman wrote in his TNEC report.

Many packers and canners suspected, therefore, that Hoffman's rulings in OPA were leading relentlessly to the elimination and suppression of all quality brands and price differentials. Soon after these facts were spread upon the committee's record, Hoffman resigned from OPA to transfer back to his old spot in Agriculture. Prior to TNEC days, he had been Principal Agricultural Economist in the Bureau of Agricultural Economics.

Closely in line with the conclusions of Congressman Halleck was the testimony of Lew Hahn, General Manager of the National Retail Drygoods Association. Reviewing the unhappy experience of both wholesalers and retailers under OPA, Hahn said the difficulty was largely administrative. Within the span of a year, the breakdown had become somewhat general.

"In my considered judgment, it has been due primarily

to the recruiting under the banner of OPA of every disgruntled crackpot, every theoretical reformer, and every half-baked young law student who could be enlisted in that service."

Yes, he went on, there had been some businessmen in OPA.

"But, one by one, they have realized the impossibility of impressing a realistic and sane point of view upon the chaps who have determined policies, and either have dropped out or have been willing to see their practical advice shoved aside in favor of the experiments of the reformers. All this might have been so different if somewhere near the top of OPA there had been a real conviction that the men of business are as capable of patriotic devotion as any of the young lawyers and assistant professors who have been set over them."

Perhaps a fatal defect in the grade-labeling theory is the fact that most foods simply are not susceptible of precise mathematical grading. In tomatoes, for example, there are universally accepted standards. But different qualities are preferred for different uses. One canning process may handle a large firm tomato to best advantage, but another process calls for the small juicy type. Yet each is "Grade A" for that particular process. Dehydrated tomatoes are processed most efficiently from a type of product entirely unsuitable for canning or ketchup. Shall we have several grades for every *type* of tomato? The same problems arise for every variety of fruit and vegetable. Unless each is

graded according to two or three different standards, related to ultimate use, the grades lose all practical significance, and price differentials would not necessarily have any relation whatever to quality or value.

Secondly, the theorists incline to arbitrary classifications, as Grade A, B, or C. But there always must be some range within each grade. This means that every processor must seek constantly to work *down to the lowest standard permitted* by the government for each grade, since he can earn no premium for any quality *above* the grade standard, unless he goes on to a higher grade at a higher price. By this arrangement, the whole competitive process, which normally works *upward* through quality, is abruptly reversed, to work *downward* to the federal grade.

This tendency was traced in detail before the House Committee by George Burton Hotchkiss, Professor of Marketing, New York University:

"We know that when the incentive for producing quality is diminished and becomes merely a negative incentive—the desire to avoid punishment—quality is lowered to the minimum permitted. In fact, it seems to me that we have evidence of that condition in certain raw products which now are not as plentiful as we would like, for the incentive to bring them out apparently does not exist."

Moreover, the maintenance of government grades and standards is a variable function, subject to all the accustomed lapses of bureaucratic administration. An incompetent or corrupt inspector might remove all the protec-

tions assumed by the consumer to rest in the federal label. Any such lapse on a privately branded product redounds at once upon the good name of the producer and the public's acceptance of the product. But this automatic corrective tendency is eliminated by government grades. Then full responsibility for standards rests only upon the *symbols* of the federal label. The unhappy history of the lamented Blue Eagle labels of NRA days should temper today's progress with prudence.

Agitation for federal grades in foods and textiles has been an organized and lucrative business in the United States for some fifteen years. Consumers' clubs have been organized on a membership basis in all of the larger cities and states. The program sold to the membership by the promoters usually centers on political pressure for national grade labeling. In some cities the membership fee is as high as a dollar per month. The NRA experiment afforded a field day for such pressure groups. In several industrial codes attempts were made to enforce federal standards of inspection and labeling under the protective screen of emergency recovery programs.

When NRA expired, the whole grade-labeling bureaucracy moved bodily to AAA, where it thrived for a time as an emergency instrument aiding agricultural recovery. With the liquidation of AAA, the whole effort was transferred again to the Temporary National Economic Committee. There a new appropriation sustained the agitation for almost three years. And when TNEC passed out of

the picture, the machine was transplanted once more, to OPA.

Through all this history, grade labeling was constantly under the wing of Leon Henderson. Henderson first won his way to the top in NRA. He was next Executive Director of the TNEC. Then he moved to OPA. Testifying before the House Banking and Currency Committee in August 1941, Henderson was asked if the objectives of the Price Control Act were not in many cases parallel with the objectives of NRA. He acknowledged that the administrative approach often was similar, but that NRA sought to *advance* prices, while OPA aimed to *hold them down.*

This testimony focuses a revealing light upon the real nature of the grade-labeling movement. Ten years ago it served a peacetime emergency as a measure to advance prices. Now it would serve a war emergency as a measure to keep prices down! Times may change, but there are always plenty of reasons why the federal bureaus should take over the basic functions of private enterprise.

Representative Leon H. Gavin of Pennsylvania presented before the House Committee his own detailed findings touching the international ramifications of the economic planning program as developed in federal policies at Washing during the last decade.

"It appears to me that this group in control of the OPA have adopted much of the Fabian program, sponsored by the London School of Economics. I believe honestly they

have blueprinted and charted a plan to recast every branch and department of the federal government and to bring about the complete regimentation of the economic life of the United States. I am convinced they have determined upon a program for the regimentation of agriculture, industry, finance and labor into a socialistic state. They aim at the elimination and destruction of the middleman, the small businessman, the white-collar class. I feel with a certainty they intend to by-pass and eliminate the Congress. . . . The professors, I understand, now are outraged and indignant that Congress has the audacity to question their philosophy of 'production for use and not for profit.'

"These White House pets have but one plan, and that is for the elimination of the small merchants. It is about time that this crackpot element be eliminated from control of the various departments of the federal government."

Congressman Gavin told the committee that the national economic planning program, which includes grade labeling, was sponsored originally by the British Fabian Society, the socialist group which established the London School of Economics. A faculty member from the London School of Economics who migrated to America later became Director of Research for the National Resources Planning Board. For the committee record, Gavin offered this statement of program from the London Fabian Society's charter:

"It aims at the reorganization of society by the emancipation of land and industrial capital from individual and class ownership, and the vesting of them in the community for the general benefit."

Another offshoot of the London School of Economics was the PEP group, an organization to advance Political and Economic Planning throughout the English-speaking world. The chairman of this group was Mr. Israel Moses Sieff. Their platform of 10,000 words was published in London on March 29, 1933. Among other things it called for "a national council for agriculture, a national council for industry, a national council for coal mining, a national council for transport, and so on—all statutory bodies with considerable powers of self-government, including powers of compulsion within the province with which they are concerned."

In 1941 Mr. Sieff, the author of the British PEP plan, joined OPA as a special consultant. Later he also was designated to be an official adviser to the Office of War Information.

"Here," continued Congressman Gavin, "we have the case of an important personage from England, one who is head of an organization that has been a spearhead in the movement to regiment England, who is willing to advise in shaping the future of the American economic system."

Professor J. Kenneth Galbraith, Deputy Administrator of OPA in charge of the Price Section, was described before the committee as author of a book, published in 1937, which urged the elimination of all private brands and grades in certain textiles. The witness then traced how closely the principles outlined in Professor Galbraith's book had been developed and applied in the OPA order

establishing fixed grades and types for women's hosiery. These regulations worked toward the practical elimination of national brands in feminine hose.

"It is clear that Galbraith determined here was a chance to destroy the price jurisdiction of the manufacturer," the witness concluded. "When Rayon Hosiery Regulation MPR 339 was issued, it became obvious that retailers could conform only if they were willing to have the American distributive system socialized and changed beyond recognition. At that point it became necessary to oppose actively the spread of these principles through mandatory federal regulations."

Soon after this testimony was heard (and after the resignation of Leon Henderson as OPA chief), Deputy Galbraith resigned to transfer to OLLA—the Office of Lend-Lease Administration.

But, Congressman Gavin insists, such resignations always come too late. Had not Congress undertaken its investigation of OPA's subtle grade-labeling campaign, the whole enterprise might have moved on to consummation.

"Often it seems to me that Congress is hog-tied in its efforts to rid the government of these saboteurs of our American system of free enterprise. . . . Let us go back and find out who are the keymen who think up these ideas and work them through the emergency agencies. Under the guise of war they are able to inject their experiments and social reforms, which they have dreamed of for years,

but never hoped to realize. Then along comes a generous government and gives them money to carry on all this crackpot stuff."

Alfred Eames, President of the California Packing Corporation, told the committee that OPA ceiling prices for 1943 on all canned fruits and vegetables were fixed by regional statistical averages, which practically ignored grade and quality differentials.

"They have materially reduced the spread between qualities, lowering the ceilings on high-quality goods and raising the ceiling on low qualities. The effect in a seller's market is to force the consumer to pay a disproportionately higher price for low-quality merchandise, and to offer a *premium* for the production of low-quality merchandise by decreasing the price differential normally existing for high-quality goods. Thus, by raising the price of this low-quality merchandise OPA is *increasing* the food costs of people in the low-income group, at the same time decreasing the price for the high-quality group, the people who least need the protection of price ceilings."

Price ceilings in the canning industry first were fixed by regions, in December 1942. E. N. Richmond, President of the Richmond-Chase Company, San Jose, California, testified before the House Committee:

"No consultations were held with the industry for the purpose of discussing the wisdom of such a method, and since that announcement the canners have continuously protested the method as being unsound and detrimental to production."

But Mr. Eames saw this beginning toward uniform prices and grades as preparatory spadework looking ultimately to national grade labeling.

"The imposition of grade labeling on trade-marked products is an impairment that will destroy the value of the trade-mark and the goodwill which is inseparable therefrom. The result, if not the purpose, of grade labeling will be the destruction of the individuality of the products of every manufacturer. The inevitable result of such a program, if successful, will be to destroy the incentive for the development of new and improved types of goods. I know of no single action that could be taken by our government which would be more destructive of our American way of life and our American industrial system than a movement designed to, and which would, kill the trade-marks of this country."

Congress also discovered that OPA's grade-labeling crusade was riding roughshod over the older laws on national standards as administered through the Bureau of Standards, and the Food and Drug Administration. Conflicting and overlapping regulations from OPA and FDA had become a commonplace for the food processor.

Through an amendment to the bill extending the life of the Commodity Credit Corporation, Congress enacted, in July 1943, a strong curb on grade labeling. This amendment specifically forbade the Price Administrator to require grade labeling of any commodity. Standardized products may be specified by federal order only to the

extent that such regulations may prove necessary to enforcement of price ceilings.

This compromise provision left many practical issues undecided, but the public approval of the committee's investigation and report on OPA served, temporarily at least, to check the reformers' drive for nationwide grade labeling.

While the issue is still before Congress, the undercover reformers in OPA have had their wings clipped.

Taxes are paid in the sweat of every man who labors, because they are a burden on production, and can be paid only by production.

—FRANKLIN D. ROOSEVELT

CHAPTER X

QUAGMIRE OF SUBSIDIES

WHEN OPA decided to "roll back" retail prices of meat, butter, milk and vegetable oils, a vast new complex of bureaucratic controls was thrown about all food industries, from canner, dairyman and packer to the corner grocer. Can consumer subsidies hold prices down while basic raw material costs are rising, and increasing industrial pay rolls pour an ever-broader stream of purchasing power into the markets? From the outset official Washington has divided sharply on the question.

Congress had refused to appropriate money for food-subsidy programs previously announced, in June 1943, but the RFC and the Commodity Credit Corporation stepped into the breach temporarily with their great revolving funds. The Department of Justice ruled the President had ample authority under the war powers to make subsidy payments from any funds available for prosecution of the

war, holding that the limitations upon "blank check" appropriations to the administrative departments, if any, never had been defined in law.

America's food bill, at war prices, totals approximately $30 billion a year, at retail. A 10-percent "rollback" would call for about $3 billion from the Treasury—if everything worked out according to plan. But experience has taught that emergency programs, devised hastily under the inexorable pressures of war, sometimes go off at tangents. Could we risk an uncharted venture into the quicksands of consumer subsidies at a time when our U. S. food supply was recognized everywhere as the keystone of the United Nations' global war mobilization?

Price Administrator Prentiss Brown found tenuous authority for subsidy payments in the original Price Control Act of January 30, 1942. Section 2(e) authorizes the OPA Administrator to "make subsidy payments *to domestic producers* of such commodities, in such amounts, and in such manner, and upon such terms and conditions as he determines to be necessary to obtain the maximum necessary production thereof."

Opponents of the subsidy insisted this language limited government rollback payments to *producers*. Instead, it was argued, subsidies now were being paid to *processors* in such a manner that they did not directly stimulate increased production. As Senator Joseph C. O'Mahoney of Wyoming pointed out in debate on June 15, 1943, a law which authorized subsidies to producers actually was being

applied at the consumer level. "We are subsidizing consumption and endangering production," he said.

Our war experience with government-controlled wheat prices presents faithfully the economic background of the subsidy debate. In February 1941, when wheat was selling at 75 cents a bushel, the Commodity Credit Corporation began calculating the new government loan rate for the 1941 crop. This loan finally was fixed at 98 cents *on the farm,* which made the Chicago price about $1.15 a bushel. On the next crop, in 1942, the government loan was hiked to $1.31, Chicago. And in 1943 the price peg was advanced again, to $1.40, Chicago. Ceilings finally were established, as of November 10, 1943, on the basis of $1.66, Chicago, for No. 1 soft winter grade.

Here we have a three-year policy of forcing farm prices upward through government subsidies to agriculture. In those three years flour advanced from $4.50 to $8.00 a barrel. Then, when consumers protested that living costs were too high, Washington answered that rollback subsidies must be tried. As applied to the wheat-flour-bread trinity, which supplies roughly one-fourth of America's human food energy, the rollback called for flour and bread prices pegged at the level of $1.20 wheat, after the government itself had advanced wheat from 75 cents to $1.66 a bushel. Direct Treasury payments to the miller would cover the difference. Thus a second federal subsidy now was proposed, at the processor level, to prevent a rise in flour prices to consumers. How long can government con-

tinue to raise farm prices with one set of subsidies and hold the line with another set? The experiment promises to cost the taxpayers handsomely. The flour subsidy finally became effective December 1, 1943.

Through similar agricultural programs since 1937, federal management systematically has pushed up the price of milk, cotton, meat, hides, wool, corn, fats and oils, peanuts, tobacco and potatoes—all the basic factors in the cost-of-living index. Manifestly, while all these programs were operating to advance prices, labor would not assent to an order freezing wages. Nor would the agricultural interest assent to an order freezing farm prices, until wages were pegged. That merry-go-round has been whirling at ever-increasing tempo for more than five years, and some folks now are getting dizzy.

Advocates of U. S. food subsidies lean heavily upon the fact that Britain has adopted them. But they often ignore the consideration that in Britain subsidies are a part of an integrated national stabilization program which includes effective wage control, high consumer taxes, adequately enforced rationing, practical price controls, and absolute control over supply of all imported products. In the United States, on the other hand, wage controls have been extremely shaky and spotty; new taxes have lagged far behind the increase in national income; and many of OPA's inexpertly devised price controls have proved largely ineffective. Until these primary cost factors are brought under control, a program of food subsidies could only add

fuel to the inflation inferno. "It would be fighting fire with gasoline," said one official.

Moreover, subsidies now are being attempted by OPA in a piecemeal fashion. There is no broad statement of policy. We are merely stumbling along the path of *political* appeasement—yielding here and holding there, as screams and pressures vary from day to day.

Assailing the 10-percent subsidy on meats and butter, Charles W. Holman, Secretary of the National Co-operative Milk Producers Federation, described the venture as "a foolish fumble."

> "Everybody knows that the federal authorities are not prepared to administer it. The heads of our government should be brought to realize that with a prospective annual volume of $55 billion of unspendable national income, the offering of subsidies in lieu of prices is dangerous. On butter alone this new subsidy will cost the government $90 million a year, plus interest on the bonds until such time as they are actually paid off."

In meats, OPA estimated the subsidy would cost $532 million a year, plus interest on the new debt incurred. Thus, subsidies on only two food items at the start would cost about $625 million a year. The same percentage of Treasury assistance applicable to the entire food budget of the United States would call for subsidies aggregating at least $3 billion a year. The interest on this new debt would be $75 million a year.

A horizontal 10-percent rollback on all foods would amount to an increase in *real wages* of approximately 2½ percent. And this increase would come on top of an increase of approximately 48 percent in *real wages* already realized in average weekly earnings of all U. S. industrial employees since 1939. (Real wages represent actual earnings corrected for the increased cost of living since 1939.)

Counting interest and administrative costs, the Treasury *overhead* on food subsidies is estimated at a minimum of $150 million a year. This amount, at least, could be saved by allowing each taxpayer to lay out his own food subsidies directly in the form of higher prices, where higher prices are needed to stimulate production. Since the taxpayer, in the aggregate, pays the whole bill anyhow, why not save him the overhead? In these days when government seldom deigns to speak in terms below *billions,* the saving of $150 million may appear trifling. But that amount represents 429 Flying Fortress bombers ($350,000 each) loaded, equipped and ready for combat.

Our situation today differs from Britain's in many other respects. Britain normally imports 60 percent of all her food. Aside from coffee, sugar and a few tropical specialties, we import none of ours. An importing country may manage food prices by controlling supply from the ship docks. But where Britain can control food from a few hundred shipping terminals, our controls must reach to the production and storage facilities of more than 6 million

farms. From every consideration of practical administration, these are fundamental differences.

The British government inaugurated food subsidies in December 1939, three months after the outbreak of the war. The subsidies were directed particularly to those food items included in the cost-of-living index, on the theory that stabilization of this index would remove all leverage for wage increases. The British subsidies applied to meat, fish, flour, bread, tea, sugar, milk, butter, cheese, eggs and potatoes—practically all *imported* items. Wages in Britain thus have been under relative control and stabilization.

Two types of subsidies were applied. First, the Ministry of Food sold imported articles to processors at less than the landed cost. Second, it made direct payments on other items to retailers, wholesalers and processors to absorb abnormal war cost of domestic transportation, insurance and distribution. At the outset the Food Ministry estimated these subsidies would cost $232 million a year. By the end of the second year, however, they were costing $580 million a year. As of April 1, 1943, the total cost of food subsidies in Britain stood at $1,600,000,000, almost 3 percent of the total British war budget. President Roosevelt has estimated that U. S. food subsidies might cost $1,500,000,000 a year, or 1½ percent of our war budget. Some reputable economists, on the other hand, have estimated that a general U. S. food subsidy would cost at least $5 billion a year.

Coupled with its subsidy program, however, Great Britain applied a scheme of taxation and public finance which diverted effectively most of the increased war income from public markets. For the first four years of the war Great Britain covered 44 percent of her budget by taxation and 41 percent more by the sale of government securities to individuals. This left only 15 percent of the budget to be financed by sale of securities to banks. In contrast, the United States has collected barely 20 percent of her war spending in taxes, leaving almost 80 percent for deficit financing; and a large proportion of this deficit has been floated through direct sale of bonds to banking institutions. This enormous generation of new bank deposits accumulates vast reservoirs of buying power to press constantly against limited or diminishing supplies. This is the essence of inflation.

In Great Britain approximately 75 percent of the *increased* national income between 1938 and 1942 was diverted to the Treasury by higher direct taxes, but in the United States only about 33 percent of the increased national income has been skimmed off in direct federal taxes. Thus, England has an "inflation gap" representing 25 percent of her increase in national income, while ours is 60 to 65 percent of the war increase.

Opponents of U. S. food subsidies contend that no price control mechanism can be effective against such overwhelming pressures of available spending money. The real attack on rising prices, they insist, should come on the

taxation front, and through effective wage stabilization. In addition to her higher income taxes, Great Britain also collects a graduated *sales tax* on all items except those which go into the basic cost-of-living index. Our 20-percent pay-roll tax is a beginning in this direction. But this pay-roll deduction is in *lieu* of the income tax and not an addition thereto, as is the sales tax in Britain.

In its original application a subsidy is a government bounty paid to producers to call out increased production. But nowhere have today's food subsidies been defended on the ground that prevailing prices are too low to call out the needed production. Our lagging food production is attributed, rather, to shortages of manpower and equipment, and to crippling dislocations between *different levels of prices* along the distribution line, as fixed arbitrarily, and often hastily, by OPA.

The cattle feeder, for example, does not complain that beef can't be produced at $14.50 per cwt. All he says is that no stockman can produce beef at $14.50 per cwt. while basic feed stuffs are pegged by government at a level which requires the expenditure of $17.32 to produce a hundred pounds of beef. The same principle applies to dairy production, to eggs, wool and poultry. Stated another way, OPA has fixed the price of bricks, figuratively, at $10 a thousand, and then, in fixing retail ceilings, has ruled that a house containing 10,000 bricks must sell for $96! The more houses one builds and sells, the worse off he is.

Having created such dislocations by patchwork price policies in practically every field, Washington then proposed to correct them all by digging into the Treasury for general consumer subsidies.

Theoretically, it is possible to adjust many of these dislocations by subsidies at the proper point in the distribution system. Economically, however, it is impossible to do so; for in some degree every product is competitive with every other in the market. As soon as subsidies begin at one point, they tend to produce new dislocations and maladjustments elsewhere. While one critical situation is being relieved with Treasury balm, prices jump the fence at four or five other spots. Soon the national dole master is rushing frantically from sugar to butter, to coffee, to fats, to flour, pouring the soothing oils of deficit cash on a score or more of economic hotboxes. In each case, the net result is a *higher cost* for the delivered item at the consumer level. And the end result of many higher costs ultimately must be a further inflated price level. Such is the economic perpetual motion of subsidies. The first ride on the merry-go-round is exhilarating. The second produces symptomatic giddiness. On the third round, many people become ogle-eyed. On the fourth, sure as shooting, somebody falls off his horse. If it happens to be the Treasury, there is another problem—and one which subsidies can't resolve.

Announcement in June 1943 that Mr. Bernard M. Baruch had accepted appointment as a nonsalaried adviser to Director James F. Byrnes of the Office of War Mobiliza-

tion was news of fundamental significance on the subsidy front. Baruch had been through all this before.

"This is where I came in, back in 1917," he observed informally in 1942, when price controls were launched without wage and farm-price stabilization.

But during the intervening twenty-five years, Mr. Baruch had specialized in the mechanics of wartime economic mobilization. Experience has impressed upon him the fundamental nature of Treasury subsidies. He now approaches them as a prudent gardener approaches poison ivy. Even experts must wear gloves.

Mr. Baruch emphasizes that the national price structure is not an arbitrary compilation of figures like a multiplication table, but a chronological series of cost relationships reaching from production to consumption. In this approach there is no room for a subsidy which merely conceals a political log jam. Historically, the elemental forces of inflation are defined clearly. Baruch knows them at sight. You can't hide an inflation factor from him merely by disguising it as a subsidy. He knows that war is primarily destruction, and that nobody can get rich from destruction. He tells pressure groups that subsidies are as ladders of rope. The first man up feels saved. But the higher he climbs, the more people follow him. When the ladder is overloaded, the ropes snap. Then who's saved?

In addition to the direct cost to the government, subsidies entail a heavy cost in reports and bookkeeping to be borne by the food industries. The regulations governing

the payment of meat subsidies, for example, comprise some 6,000 words of official red tape. Every packing house must submit a monthly report, not only to the Office of Price Administration, but also to the War Food Administration and the Defense Supplies Corporation. One section of the regulation runs:

> "Every applicant shall keep the records required of him by Food Distribution Order No. 27 and Rationing Order No. 1, and, in addition, keep the records required by Sections 6, 7, 8 and 9 of this order."

Each application for payment at the end of the month must be accompanied by a certified copy of the current slaughtering permit issued by the Department of Agriculture. Also accompanying each monthly report must be a carbon of the month's operations as reported to OPA on Forms R-1606 and R-1609.

All business records bearing upon these transactions must be preserved for two years. "The Defense Supplies Corporation shall have the right to declare invalid any claim of an applicant who has failed to comply with the requirements of this section." Separate accounts must be kept for cattle, sheep and hogs.

These records require that farmers buying animals for slaughter must keep detailed records of each consignment, showing the *weight of each animal,* the date and place of weighing, and the *name of the person recording the weight.*

Any butcher who slaughters animals which he has held

more than thirty days must show in his application for subsidy payments, first, the live-weight at time of purchase; second, the live-weight at time of slaughter; finally, the final dressed weight! This requirement means that the butcher must be able to identify any particular carcass all the way through the plant, from feed lot to the refrigeration room.

"In addition, he must keep a complete record with weights and prices of all his other livestock purchases and all of his livestock sales."

All these rules were promulgated by Regulation No. 3 of the Defense Supplies Corporation, published June 16, 1943, but officially effective "as of June 7, 1943." Thus, the regulations were in effect nine days before they were issued!

There is no basis for estimating what the ultimate cost of such involved and complex regulations will be, for in some cases the accounting and reporting requirements imposed by government entail not only bookkeeping arrangements, but a reorganization of the entire manufacturing layout to catch required weights and designations at different phases of processing. All this involves wasted manpower, higher production costs, slowing down of processing, and many vexatious problems in plant management.

As applied to meat, the subsidy was calculated to rollback wholesale prices to the level of September 15, 1942.

But the American Meat Institute pointed out on May 20, 1943, in a letter to Director Byrnes, that wholesale prices of many cuts, as of May 17, 1943, actually were *below* the level of September 15, 1942. For example, regular hams were quoted at 25½ cents, wholesale, on September 15, 1942, and 24¾ cents on May 17, 1943. Nine different pork cuts were lower in May 1943 than in September 1942. At retail, the Bureau of Labor Statistics indicated a composite advance of only about 2 percent in beef, veal, and pork in fifty-four cities between September 1942 and May 1943. Against this actual increase of 2 percent, the government proposed a subsidy of 10 percent to rollback prices to the September level! All these factors appear to underscore the statement of Wesley Hardenbergh, President of the American Meat Institute: "The livestock and meat industry is genuinely hampered by maladjusted government regulations."

Officials of the Budget Bureau have estimated that at least 15,000 persons would have to be added to the government pay roll to administer the general subsidy program. For meats alone, OPA needed inspectors, checkers and auditors to visit every processing plant. The Defense Supplies Corporation called for thousands of auditors to check the monthly applications of creameries, canners and packers for subsidy payments. The Treasury demanded several thousand check writers and bookkeepers. And the General Accounting Office called for accountants and auditors to handle the monthly subsidy vouchers. A vast new bu-

reaucracy thus was called into being precisely at a time when the crying need on the home front was for the conservation of manpower in both industry and agriculture.

More dangerous, the policy of subsidies as a means of preventing price advances must be expected to lead to successive increases in the subsidies, and thus to a more and more unbalanced price structure as the war goes on. Then, when the time comes that federal expenditures must be curtailed and subsidies eliminated, crash and hardship would be the result all along the food line. Once established as national policy, subsidies tend to be regarded as essential to economic well-being. For the dislocations they foster can be corrected only through a painful and difficult period of readjustment.

Finally, subsidies involve an ever-expanding encroachment of the federal bureaucracy upon the day-to-day management of business. Rules and regulations constantly become more onerous and burdensome. Initiative is discouraged and the driving quest for better methods, lower costs, new products is smothered under an avalanche of forms and directives from the Washington mimeographs.

Every subsidy, no matter how small, encourages the contagious human inclination to lean on the Treasury. Long before the leaning becomes too heavy, the art of leaning is inculcated deeply in national temperament. Then we have arrived at that calamitous state which Oswald Spengler anticipated in *The Decline of the West:*

"That which yesterday was the object of extravagant desires has today become a matter of course, and by tomorrow will be a state of distress calling loudly for help."

Inflation is not to be prevented merely by *concealing* high prices with federal subsidies. Free enterprise challenges rising prices with more production. Bureaucracy challenges them with more spending and more pay-rollers. Free enterprise and increasing production lead ultimately to stabilization. Subsidies and bureaucracy lead only into the financial quagmire of debt, inflation and bitter bankruptcy.

A single good government is a blessing to the whole earth.

—THOMAS JEFFERSON

CHAPTER XI

LESSONS FROM CANADA

ALTHOUGH only one-tenth our size, as measured in population, Canada has faced the same war problems as the United States. She has established price controls, rationing and allocation of industrial materials, manpower and electrical energy. Yet she escaped a crippling and top-heavy administrative bureaucracy. Her experience demonstrates that emergency management under war pressures may be accomplished without abandonment or destruction of constitutional patterns in government and enterprise.

During the first four years of World War II Canada experienced an increase of 18 percent in her cost-of-living index, as compared to 30 percent in both the United States and Great Britain. Yet Canada in 1943 diverted approximately 40 percent of her national income to war expenditures, about the same, proportionately, as her two great partners. Her industrial production expanded, from the prewar level, by about the same percentage as in England and the United States. Nevertheless, Canada in the fiscal

year ending April 1943, gathered 63 percent of her war outlay from taxes, and 21 percent more from sale of government securities to individual and institutional investors. Only 16 percent of her war budget was financed by the inflationary sale of bonds to banks—about the same proportion as in England, but considerably less than the U. S. percentage.

Three factors distinguish the Canadian price-control program. First, wage increases are tied effectively to changed living costs, each point increase in the Dominion living-cost index justifying a temporary "war bonus" of twenty-five cents per week in industrial wages. Second, the seventy commodity and service sections of the Wartime Price and Trade Board are administered directly by men appointed from the business community. Third, Canadian administration seeks to stimulate every impulse to voluntary compliance, seldom resorting to rigid control of retail transactions.

Because the national spirit thus is mobilized behind the entire scheme of emergency war controls, there has been far less misunderstanding and grumbling, seldom a display of harsh administrative crack-down, always a broad and salutary confidence throughout the country that only necessary steps were being taken at Ottawa, and those administered competently, with no admixture of textbook theory looking to a collectivist reorganization of the national economy after the war.

The keynote of this voluntary compliance program was

sounded by Donald Gordon, Chairman of the War Price and Trade Board, in an address at Toronto on August 14, 1943:

"A price control policy is a co-operative undertaking. It needs competent and determined administration; but above all it requires public support and understanding. The enforcement of this policy affects such a wide variety of the customary freedoms of the individual that it would be impossible to make it work solely by regulation and coercive administration."

Canada launched her price-control program on September 3, 1939, with establishment of WPTB under the Minister of Labor. Authority for this executive action flowed from the War Measures Act of 1914. After a conference with the Attorneys General of the several provinces, the powers of the WPTB were expanded considerably by a second Order in Council, December 5, 1939. This order authorized the licensing of dealers and processors and the establishment of fixed maximum prices and markups on a selective basis. While penalties up to two years' imprisonment and $5,000 fine were provided, the Price Board from the outset emphasized the ideal of voluntary compliance. For the whole Dominion, price prosecutions in one six-month period numbered only sixteen.

Between the outbreak of the war in September 1939 and December 1941, a period of twenty-six months, the Board fixed prices on only four items—wool, sugar, butter and

rents. In this interval price controls were based "upon the organization of supply."

As originally outlined by the Minister of Finance in September 1939, the Canadian program contemplated an expansion of credit to the point of full employment of national resources and manpower. But——

> "With an economy at full production and employment, the only result of expanding money and credit is to raise prices without increasing production. At such a point commences the cumulative spiral of inflation, with all its deadly consequences to the economy."

By the spring of 1941, Canada had reached full employment. Between April and November of that year, her cost-of-living index rose by as much in seven months as it had during the previous twenty. This was due in considerable part to the steadily rising price movement in the United States. The beginnings of an inflationary spiral were becoming evident.

During this first phase, covering more than two years, Canadian price controls were administered by a staff of 150 persons, including 7 serving without remuneration and 14 lent from other agencies of the Dominion Government. But in the same period our own OPA had grown to a vast bureaucracy of more than 50,000 paid employees, in addition to 50,000 volunteer workers in the local boards, and an annual budget of $120 million! Reduced to the Canadian scale in relation to population, OPA at this point

should have employed only about 1,500 people instead of 50,000.

"The Board endeavored during the first two years to implement its policies with a minimum of direct government control of trade," the WPTB official historical summary observed.

As the pressures of war increased, the area of controls necessarily expanded. Rent controls had been established in September 1940. In August 1941 wholesale price controls were expanded from "the necessities of life" to all goods and services. At the same time, new curbs were established over consumer credit. During the first two years of war the Canadian cost-of-living index rose 15 percent. But under the expanded price-control program, this index advanced only 2.7 percent during the next two years.

Single-headed control of the major commodity sections has contributed much to the success of the Canadian program. At the fall of France, for example, there were thirty-four British coal ships in French waters. Through hasty telephone negotiations between Ottawa and London, these ships were routed immediately to Canada. They delivered 220,000 tons of coal valued at almost a million dollars—an average two weeks' supply for all of Canada. But this was not accomplished by a series of memoranda, forms, estimates, approvals, allocations and countersignatures. It was accomplished by the businesslike operation of a small compact body of competent administrators vested with authority to act.

From the outset Canada has administered her price program by this general method, seeking always to maintain supply, rather than to hold price regardless of the supply-demand equation. For this purpose strong administrative sections were established for wool, hides, fats and oils, flour and mill feeds, sugar, and coal. In each commodity the administrative arrangement and authority are similar to those established in the United States in August 1942 for the reorganization of our muddled rubber program. Delegation of emergency authority is not feared in these matters. What is to be feared is the incompetent administration of authority, or its abuse.

But the work of the several commodity sections was closely co-ordinated through the WPTB. Further co-ordination was established through interlocking membership with the Wartime Industries Control Board (our WPB) and the Department of Munitions and Supply (our Joint Munitions Board). By these arrangements every factor in the national supply-demand equation fell within the direct purview of the price-control authority.

Under the reorganization of 1941, administration of Canadian price controls was transferred from the Minister of Labor to the Minister of Finance. This move further integrated all wartime economic direction, by bringing price management within the province of the budget and taxing authority. Thus, at any given moment, Canada could strike a balance quickly, in terms of fiscal policy, budget, wages, prices and production schedules. Things

were not everlastingly going off at tangents. In the United States, this over-all co-ordination was not organized until July 1943, with establishment of the Office of War Mobilization.

Since his appointment to the Chairmanship of WPTB in November 1941, Donald Gordon, Deputy Governor of the Bank of Canada, has centered his energies, not on administrative methods and forms, but upon a one-man educational crusade against inflation. This crusade he has carried the length and breadth of the Dominion.

"Of what use is it to labor, to agriculture, to the shopkeeper, or any person, to obtain more money if the purchasing value of money melts faster than the additional amount received?" he asks. "What will the wage earner gain if his wages double, but the purchase prices of his food, his clothing, his rent—everything—trebles or quadruples? What will the farmer gain if he barters his products for more and more paper, and then finds that the paper purchases less and less of the things the farmer himself wants to consume?"

It's not a classroom. There are no threats, no shaking of governmental fists in the faces of farmers, workers and businessmen harassed by inevitable dislocations of war. Instead, Canada follows a poised and energetic leader. Gordon is confident, determined, full of faith in the mass judgment of a community soundly and honestly informed.

"Remember," he continued, "I am not giving you just a theoretical exposition of what *might* happen! The losing race between wages and rising prices has occurred in every

war period in history, and in every inflation the story has been the same. Each time many have hoped that they might be the lucky exceptions to benefit from the general disaster; but few indeed have done so. The whole crazy course of inflation has been demonstrated again and again. Surely we are going to learn, sometime, the tragic futility of it. . . . The problem is to convince people that if every class takes advantages of its improved bargaining position in wartime, it can only end in disaster to all."

In no small degree, some fundamental difficulties in the Canadian stabilization effort flow from mere proximity to the United States. With industrial wages still moving upward on our side of the border, organized labor in Canada grows restive, steadily less inclined to go along with wage stabilization by consent. As our commodity prices continued to advance in the face of relative stability in Canada, the Dominion encountered new and unanticipated difficulties in maintaining her dollar-exchange position.

No one in Canada, of course, would utter the thought that the fight against inflation there might be more effective had the United States made a better job of her own controls. Yet, on every hand, one encounters evidence of the question, "If the United States can carry on without wage controls, why must we tolerate them?" In lesser degree, the same applies to agricultural commodities. In these directions, we might have made Canada's job a lot easier without making our own any harder.

During 1942 and 1943 there developed a considerable

penetration of Canadian industry by a new labor organization patterned closely after our own CIO. This infiltration, particularly in some of the new war industries, tended to remove labor leadership from the hands of the long-established Canadian organizations, all of which previously had been committed to the government's wage-stabilization policy. Yet official Canada is far too respectful of the United States war effort even to hint that our exports of labor leadership have not been entirely a boon. But, as a measure to retain labor leadership in Canadian hands, the Dominion Government, in 1942, redelegated wartime labor and wage administration back to the provinces. By this step labor leadership was limited largely to those who had a voting stake in the country. Itinerant organizers, who could show no voting residence in Canada, thenceforward uttered their manifestos and proclamations in diminishing voice.

A series of four government corporations, which operate on both the buying and selling sides of the open markets, supplements WPTB price controls. The Commodity Price Stabilization Corporation offers to buy entire production at a guaranteed price for the crop season—a price high enough to call out the needed supplies. But it moves these goods into distribution within the range of the previously determined wholesale and retail ceilings. There are often losses in these transactions. They are covered by government—subsidies. But they are subsidies on enlarged *pro-*

duction, not on limited distribution. Over a period of two years these operations cost Canada $2,111,282, plus about $500,000 in administrative expenses of the corporation. This sum hardly would cover OPA's printing bill for the same period.

Next the Wartime Food Corporation operates in the same way in the field of imported foods, absorbing for the most part the difference between U. S. import prices and the Canadian stabilization ceilings. These import subsidies cost for the first two years $831,497, plus $26,101 in administrative expenses—rubber bands, pencils, paper clips and typewriter ribbons for OPA!

The Canadian Wool Board buys domestic wools at a price considerably above the normal world price, and sells at the war ceiling—saving ocean shipping space by encouraging expansion of the domestic clip. Its operations cost $171,569 the first year.

A fourth corporation, Wartime Salvage, Ltd., buys and sells anything needed to sustain the war effort or to hold down the cost-of-living index. In a manner of speaking, it is a government-operated junkman, on a ten-ton-truck scale. For the first two years its operations and administration cost $522,000.

Canadian subsidy operations began at different times in various commodities, but the whole program for the first eighteen months cost roundly $65 million, about evenly divided between imported and domestic production items —approximately one-third of OPA's *administrative ex-*

pense for one year. Moreover, all these operations constantly have been under the direction of the WPTB, with buying and selling in every commodity closely integrated with requirements of the price-control program.

This intensive integration of the several facets of price control is the conspicuous administrative feature of the Dominion program, as contrasted with our own loosely knit arrangements administered through WPB, CCC, OPA, WFA, OLLA, OEW, OES and OWM. Obviously, our Office of War Mobilization is moving in the direction of this same high degree of co-ordination and unification of program. The Canadian record surely encourages that undertaking.

Looking back four years, we now see clearly how our U. S. controls developed layer upon layer, as global war unfolded. In an article published in the less austere tempo of a Broadway guest-columnist, Leon Henderson has delineated authoritatively the rather haphazard development of our war-management program. His account was given following a six months' vacation from OPA:

"When I think now, it's already the good old days. I remember first the fun I had. It's like reminiscing with my old cronies of the Millville baseball team—I can't remember ever losing a game or making more than one error. Nature is kind that way.

"I almost missed the big fun. In 1938 I went to Johns Hopkins to get a crick out of my back. I had been with

WPA as a consulting economist. I was all hired for a good-paying private job. Harry Hopkins was convalescing in Florida. So was I. He asked me if I could delay going to my new job long enough to work on arguments for resumption of the spending program.

"A few weeks later the New Deal abandoned budget balancing and took up again the governmental employment of the unemployed. This work had led to T.N.E.C., S.E.C., N.D.A.C., S.P.A.B., O.P.M., W.P.B., O.E.S., and of course to O.P.A.C.S. and O.P.A. If I had not been in Florida, or if I had gone to my new work as scheduled, I am convinced that Hopkins and I would never have had the conversation which kept me in government. . . . And it was fun all the time, even when I was mad."

Under OWM Director James F. Byrnes, we began in July 1943 to give form and substance to the various alphabetical endeavors thus conceived and established with such disarming nonchalance. Canada, on the other hand, launched her wartime economic controls in a less audacious mood. Her more businesslike approach has yielded rich national dividends. True, there still are many difficult pressures and dislocations. But Canada's Donald Gordon insists that goodwill, co-operation and understanding will make them all tolerable through reconstruction.

"The price ceiling may mean hardship," he has warned, "but inflation would mean ruin."

On that basis, Canada will see it through. Practical administration appears to have demonstrated a long-term efficiency and superiority over political pandering to organized pressure groups.

Socrates thought that if all our misfortunes were laid in one common heap, whence everyone must take an equal portion, most persons would be contented to take their own and depart.

—PLUTARCH

CHAPTER XII

POLITICAL MEDICINE

SOCIALIZED medicine begins with the concept of public-health service stations managed by the federal government on the chain-store principle, much as gasoline stations now are operated by our great oil companies. The patient would drive in, stand before the laboratory machines, get his readings, and move on, just as he now tests his tire pressures, battery voltages and the antifreeze level in the radiator. Each community would have its federal clinic or medical center, staffed by the Public Health Service, with a table of standard fees and charges framed on the wall. Physicians and surgeons would be employed by the federal government, assigned to the regional clinics in the same manner that Army and Navy officers now are ordered to duty at San Diego, Newport, Key West, Norfolk, or Fort Sam Houston.

Through a nationwide system of compulsory health in-

surance, all medical services, hospital facilities and diagnostic laboratories would be operated as federal institutions. The private practice of medicine and surgery would be obliterated. The right of the individual to choose his own doctor on his own estimate of qualifications and professional reputation would be abrogated. The influence of the mercenary ward heeler would be extended to the whole field of medical relations, as it recently has been extended to unemployment insurance, old-age pensions and federal civil service appointments.

An ambitious beginning in political medicine was made under the national relief programs administered through WPA in the years 1933-1942. In each state WPA had its own health and welfare director, with staff officers and daily clinics in all the larger centers of population. The regulations required that anyone injured on a WPA job should be sent to a physician selected and designated by the local relief administrator. At that point the inevitable pressures of ward and precinct politics came into play. In February 1936 a WPA administrative assistant in West Virginia wrote to one of his county administrators:

"I hand you herewith a list of doctors in Ohio County. Kindly separate Democrats from Republicans and list them in order of priority so that we may notify our safety foremen and compensation men as to who is eligible to participate in case of injury."

The inference of this directive is clear: Wherever pos-

sible, WPA injury cases were to be directed to physicians and surgeons who could be identified from the voting lists as supporters of the national administration.

After the county lists had been compiled, they were distributed by the state organization to the county safety foremen under the notation: "Democratic doctors listed on the left hand side and Republicans on the right."

The Wagner-Dingell Bill (S. 1161), as introduced in Congress on June 3, 1943, embodied the permanent national program of socialized medicine. It was another of those measures which had been "written uptown"—those mysterious documents which pop up on Capitol Hill every so often from the secret precincts of the Georgetown Cabinet. This one, as the debates revealed, had been prepared under the direction of Mr. Isidore S. Falk, Director, Bureau of Research and Statistics, Social Security Board. The language of the bill itself is the best index of its method and scope. Under the heading "Federal Medical, Hospitalization and Related Benefits," Section 901 of the Wagner-Dingell Bill provides:

> "Every individual who is currently insured and has been found by the Board to be eligible for benefits under this title in a current benefit year, shall be entitled to receive general medical, special medical, laboratory, and hospitalization benefits after the effective date of this title."

Another section extends these benefits to "every de-

pendent . . . of an individual who is currently insured."

Hospitalization is limited to thirty days in any one year for each insured individual, save that the Surgeon General and the Social Security Board "may, through joint rule and regulation, increase the maximum to not more than 90 days for the following calendar year."

Under Section 903 the Surgeon General is "hereby authorized to negotiate . . . agreements or co-operative working arrangements with appropriate agencies of the United States, or of any State or political sub-division thereof, and with other appropriate public agencies, and with private agencies or institutions, and with private persons or groups of persons, to utilize their services and facilities and to pay fair, reasonable, and equitable compensation for such services or facilities."

This sweeping authority would empower the Surgeon General of the Public Health Service to take over every public and private medical and health facility in the United States in the name and for the account of the United States Government and the Social Security Board.

The bill provides also for a National Advisory Medical and Hospital Council, to consist of the Surgeon General as chairman "and 16 members to be appointed by the Surgeon General."

Section 905 authorizes each individual entitled to benefits under the national health plan to select his physician "from among those designated in paragraph 1 of this section." Once having made a selection, the patient would be

permitted to change doctors only "in accordance with such rules and regulations as may be prescribed." The lists of eligible federal physicians would be published in each community, to be "readily available to individuals entitled to make the selection of a general practitioner as provided under paragraph 2."

But no patient would be permitted to seek the services of a specialist in any field of medicine, for on this point Section 905 provides: "The services of specialists shall ordinarily be available only upon the advice of the general practitioner."

The Surgeon General further is authorized to promulgate from time to time all rules and regulations of administration, "including the methods of making payments to practitioners."

This national program would be financed by a special system of pay-roll taxes, assessed equally against the employee and the employer, much as unemployment and old-age pension taxes now are collected.

"Our economy can readily afford the proposed increase in pay-roll collections," said Representative John D. Dingell, of Detroit, legislative cosponsor of the bill.

Advocates of the program estimate it will cost $5 billion a year at the outset. The bill provides that the Surgeon General may fix medical fees either on the basis of measured service to each patient, "or on a per capita basis, the amount being according to the number of individuals entitled to benefits" in each federal practitioner's area. If

neither of these alternative pay schedules should work out satisfactorily, the Surgeon General may put the selected federal practitioner on a salary basis, whole time or part time, "subject to such necessary rules and regulations as may be prescribed."

Earmarked specifically for medical care, the bill would provide at the outset approximately $3,048,000,000 a year. We may gain a practical impression of the dimensions of this enterprise by comparing this allocation with total federal revenues in recent years. In the five-year period 1931-1935, for example, Treasury revenues from all sources averaged only $3,145,168,000. Stated another way, the proposed medical fund would about equal our average peacetime federal revenues from all sources.

With approximately 120,000 practicing physicians now licensed in the United States, this fund would enable the Surgeon General to place the entire profession on the government pay roll at the flat rate of $5,000 per year each. Yet that pay roll would consume only about one-fifth of the annual medical fund. Next, he could hire every nongovernment hospital bed in the country (approximately 370,000 beds) at the year-round rate of $5.00 a day, and every public hospital bed (1,052,000) at $2.50 a day. These hospital payments would total $1.6 billion a year. After paying all the doctors and hiring all the hospital beds on a full-time basis, the Surgeon General still would have available the magnificent sum of roundly $770 million for drugs, medicines and administrative expenses. And $770

million would represent approximately the average annual total of U. S. military appropriations, for both the Army and Navy, for the period 1930-1940.

Any hospital or clinical facility found by the Surgeon General to be ineligible for participation in the federal program might appeal. But the appeal is to the Surgeon General. The ensuing hearing would be held before the Surgeon General. Finally, the decision on the appeal would be made by the Surgeon General—who, in the first instance, declared the appellant ineligible!

In the field of medical education and research, the Wagner-Dingell Bill would authorize the Surgeon General to make grants and awards from government funds to institutions and agencies engaged in research, undergraduate and postgraduate medical education. Such awards would be made upon application from nonprofit institutions, or upon finding that an institution is entitled to assistance as a matter of public policy. These educational awards may aggregate in any one year not more than 1 percent of the total trust fund. Under this provision the Federal Government would be in a position to encourage or suppress medical inquiry at will, to channel and direct all scientific research and laboratory work toward predetermined political or social objectives.

All funds collected or appropriated under this program would be controlled by a special Board of Trustees composed of the Secretary of the Treasury, Secretary of Labor, and Chairman of the Social Security Board.

While these provisions are intended to apply originally only to the medical profession, the bill directs the Social Security Board and the Surgeon General to inaugurate studies at once looking to the most effective methods for providing dental and nursing care on a similar national basis. The next step, in the logic of our already entrenched health-and-welfare bureaucracy, would be to extend provisions of the Wagner-Dingell Act to all veterinarians, so that household pets might be delivered for periodic diagnosis on the same trip with the children. Certainly the saving in gas and tires would be well worth while as measured against the paltry cost of establishing a veterinarian's auxiliary ward in each public health center.

To pave the way for socialized medicine through compulsory and mandatory national legislation, advocates of this new order have conducted for some ten years a systematic campaign of humiliation and derision against the American medical profession. Part of this campaign was the persistent mouthing of such hateful clichés as "the tragedy of medicine," and allusions to the "quackery, priest-like professionalism and rugged individualist commercialism" of the medical fraternity. Ignored was the fact that under the inspirations of American professional standards the United States has developed and sustained the most effective and widely distributed system of medical care ever achieved in any nation. In the space of 150 years the average life expectancy has been extended from thirty-five to sixty-two years. A child born in 1942 had a

life expectancy twelve years longer than a child born in 1900. During the last forty years the U. S. annual death rate has been reduced from 17.55 per thousand of population to 10.60. Gone from our presence are the ancient plagues of leprosy, smallpox and typhoid. Diphtheria has been conquered; tuberculosis, pernicious anemia, diabetes and a number of lesser ailments have been brought under practical control. Sensational progress in dietetics has improved the health and energy of the whole nation.

For this great service to society the medical profession now is hailed into the federal courts like a criminal vagrant, on the specious pretext of an antitrust suit, and an organized effort launched by government itself to besmirch and degrade our doctors with responsibility for every social dislocation or personal hardship in a nation of 135 million people. Through all this campaign, our medical men have sought to answer violent and reckless assaults upon their professional integrity and social responsibility with only occasional citations of fact. As Dr. Nathan B. Van Etten, president of the American Medical Association, said in 1941: "The fact that 47 percent of our hospital beds are occupied by insane people cannot be charged to the failures of medical care."

Congress already has surveyed the record of one extravagant venture in federal health and physical fitness. Under the slogan "THE RIGHT TO HEALTH," the Office of Civilian Defense inaugurated a national recreation and

body-building program soon after Pearl Harbor. There were sections on track, archery, muscle work, interpretive dancing, riding, rope jumping and bowling. With physical education all over the lot at OCD, the directors soon got their air-raid signals mixed, and the whole venture went before the Byrd Committee on Nonessential Federal Expenditures for fiscal vivisection. The National Co-ordinator for Bowling, Physical Fitness Division, Office of Civilian Defense, the inquiry revealed, had a program to enroll 25 million men, women and children in a plan to "roll your way to physical fitness for defense." But Senator Byrd pointed out in a letter to James M. Landis, Director of OCD, that the name of the bowling co-ordinator did not appear on the list of personnel submitted to the economy committee.

"By reason of this omission from the list you furnished . . . and likewise the omission of the dancer, Miss Mayris Chaney, although you later acknowledged Miss Chaney was employed on the date you made your report, and the said omission of her name was an inadvertent error, I am asking that you recheck carefully all the information you have given the committee."

A few days later the dancer resigned. But Senator Byrd persisted in the matter of the bowling co-ordinator. He expressed astonishment that bowling had been designated a part of civilian defense, adding:

"Such a program will certainly be costly, if organized on

this scale. . . . Public resentment against boondoggling such as this in connection with our national defense program has reached a point where it is imperative, in my judgment, that you strip your agency of those activities that are not related directly to national defense. . . . Already public confidence in our defense program has been undermined by just such activities as this."

Soon the Physical Fitness Division was transferred from the Office of Civilian Defense to the Office of Defense Health and Welfare Services, Social Security Administration, following which Samuel B. Pettengill, a former member of Congress, observed for the public record:

"Paul McNutt did not cut off the tail of the Physical Fitness Division an inch at a time. He amputated it right behind the ears. The bowling co-ordinators and such have been reduced to five, with an annual budget of $9,000. As planned by Mrs. Roosevelt and Professor Landis the program called for $1 million a year."

As early as February 1942, three months after Pearl Harbor, physical fitness had become the rage of the hour in OCD; and in the scramble for national health and vigor the technique of extinguishing incendiary bombs became entangled momentarily with archery, quoits and toe dancing. As an aspect of socialized medicine, the incident is illuminating only in the degree that it demonstrates how our federal practitioners may sometimes base policy on hasty or inexpert diagnosis.

OCD's first defense enterprise was a roaring educational

campaign warning citizens never to throw a *stream* of water on fire bombs. It was a difficult and costly effort, for it ran counter to one of the deepest instincts of humanity—to dash water on threatening fire.

But OCD did it! Flying squadrons moved from county to county demonstrating the use of sand and pin-point water sprays. In one of the most intensive educational efforts ever launched by the Federal Government, free sand was distributed to several million homes. OCD inspectors invaded basements of private dwellings to put their O. K. on the new sand buckets and emergency shovel placements. A stampede of hardware buying developed under OCD inspiration, just at the moment a WPB order stopped the production of metal buckets and household shovels. The necessary metals then had to be diverted by WPB priorities from essential war equipment. Neighborhood wardens were instructed to issue no V's for house windows save where adequate sand was stored.

But all that, as it developed on July 24, 1943, was a mistake. The new order (OCD-M 1863) called for a *jet* of water—precisely in accord with the primitive human instinct in fire fighting. The revised instructions read:

"We now recommend the use of a *solid stream of water* on the bomb itself, rather than a spray of water. The value of sand for fighting incendiaries is minimized. Speed is urged in attacking the bomb with a *jet* as soon as it falls, rather than waiting for the thermic reaction to be completed, or a burster charge to go off.

"We fully appreciate the fact that the public has been thoroughly educated to the *spray* technique, but our experiments and study of recent British experience have made it absolutely necessary to change our thinking in this regard. We found that the quickest and surest way to eliminate the bomb is to strike it with a jet of water. This puts the bomb out of action in less than one minute. Use sand only if a bomb falls where it is not likely to start a fire, or if water is not available."

Congressional inquiry developed that the Chemical Warfare Service, War Department, knew all along that OCD was on the wrong track with the original campaign. But the Chemical Warfare Service never had been consulted—and it could find no way to make its feeble voice heard over the exciting social din of physical fitness.

It was very well for OCD to be completely off the beam on incendiary bombs, since there were no real bombs dropping anyhow. But the same sort of bureaucratic blundering in the field of nationalized medicine hardly would be a matter for indifference. History has demonstrated many times that, in whatever field of operations, our federal officialdom is not safely to be entrusted with too large or too intimate concerns of the people.

Consider, for example, the tenants in the federal housing project at Greenbelt, Maryland, some fifteen miles from Washington. These tenants, mostly government workers, never dreamed their leases carried a provision which, in practical application, limited the size of their families. But it came to light in June 1943 that each federal lease in this garden-spot development carries a standard clause:

"The tenant agrees to notify the government of any change in the composition of his household. Additional members shall not be permitted occupancy of the premises except with the written permission of the government."

Another section stipulates that new arrivals shall be approved, "only in the event such additional membership shall not result in violation of the prescribed housing standards."

This is remote birth control, applied through federal leases.

The antitrust proceeding against the American Medical Association and the District of Columbia Medical Society was built up over a period of two years by the Department of Justice, acting in close collaboration with the advocates of socialized medicine previously entrenched in other federal agencies. In 1937 a number of government employees organized Group Health Association, Inc. A loan was advanced from the Home Owners Loan Corporation. Medical care and hospitalization were to be provided on an insurance basis. Group Health employed salaried physicians and sought hospital facilities for the accommodation of its affiliates, but members of the American Medical Association and the Medical Society of the District of Columbia declined to enter into the plan, principally on the ground that it did not protect prevailing and long-established standards of medical service.

Soon an indictment came down from the federal District Court in Washington charging the medical societies with a conspiracy to violate the Sherman Act through

restraint of "trade and commerce" in the District of Columbia. When the district court acquitted the medical societies, the case was appealed by government, finally to the Supreme Court. In a unanimous decision January 18, 1943, the Supreme Court, while ruling that the practice of medicine did not fall within the purview of the antitrust act, sustained the Department of Justice in its contentions supporting Group Health, Inc.

Within six months of the Supreme Court's decision, the Wagner-Dingell Bill was introduced in Congress.

Thus has every power of the administrative branch of the federal government been mobilized to advance socialized medicine.

Free people, remember this maxim: we may acquire liberty, but it is never recovered if it is once lost.

—ROUSSEAU

CHAPTER XIII

ALIEN PARTY LINE

FOR almost ten years the United States has been subjected to an intensive and systematic campaign, directed and coordinated largely by some of the newer federal executive agencies, to make the terms democracy and communism synonymous. Any program which aims in the general direction of Communist collectivism, runs the logic of this campaign, is "democracy in action"; while any program which emphasizes or reaffirms the legal fundamentals of the American constitutional scheme—as opposed to European totalitarianism—is branded simply as fascism.

Every federal agency harbors its Communist cell, which watches operations, bends programs and frustrates constitutional liberalism at every opportunity—"boring from within," as the official Communist literature describes such underground operations in those luckless lands still under the forms of parliamentary government.

This underground federal network was traced in some

detail in a special report to the House of Representatives under date of June 25, 1942, from the Dies Committee on Un-American Activities (Report No. 2277, 77th Congress, 2nd Session).

"The essence of totalitarianism is the destruction of the parliamentary, or legislative, branch of the government. The counterpart of this destruction of the parliamentary institutions of democracy is the concentration of all power, irresponsible power, in the hands of a totalitarian dictator. . . . In totalitarian-ruled lands where democracy is dead, the undying issue confronting men is the restoration of freedom. In America, the issue confronting us is not the restoration but the preservation of the political institutions of freedom. . . . The issue, simply stated, is whether the Congress of the United States is to be the reality or the relic of American democracy."

The report pointed out that "many of the efforts to purge individual members of Congress are based upon an assumption which reflects discredit upon the entire legislative branch of government. That assumption consists of the view that the sole remaining function of Congress is to ratify by unanimous vote whatever wish is born anywhere at any time in the whole vast structure of the Executive Branch of government, down to the last whim of any and every administrative official."

Congress has found itself powerless to remove radical extremists from the federal pay rolls. Two cases from the Dies report illustrate the problem. Mr. David J. Saposs had

been employed as Chief Economist for the National Labor Relations Board. After he had been identified publicly as an affiliate of a Communist-front organization, Congress abolished his job. He then turned up, on January 16, 1943, as Assistant Chief of the Labor Division, War Production Board.

"His duties as advisor to the Director will include analyzing the production, labor supply and labor relations aspects of specific war industries and the effect of governmental regulations in these fields in order to determine the most effective ways and means of labor participation for increased production in war industry," the announcement said.

"Mr. Saposs has had thirty years' experience as an economist with governmental, social and labor organizations and colleges including, most recently, the office of the Coordinator of Inter-American Affairs, the National Labor Relations Board, United States Department of Labor, Twentieth Century Fund and Columbia University.

"He will work closely with the Labor Policy Committee in WPB, composed of representative AFL and CIO officials, and his appointment was made with their advice and approval."

Similarly, Mr. David Lasser, who had been identified as a union organizer among WPA relief workers, next was employed as a special investigator by WPA. When that agency was liquidated, Lasser landed as Senior Labor Economist in the War Production Board. These cases illus-

trate the general rule—a powerful but invisible underground in the Executive Branch maintains an effective protective shield around radical spendthrift planners. This unseen government repeatedly has circumvented or frustrated the edicts of the legal, formal government as expressed in the acts of Congress.

As head of the Workers' Alliance, a labor union of relief workers, Lasser called, in 1937, a national hunger march on Washington in an attempt to force an increase of $500 million over budget estimates for the then pending WPA appropriation.

This call, published in the *Daily Worker,* official organ of the Communist Party, said in part:

> "If we can succeed in stopping the reactionaries in their tracks by halting their wrecking of the works program, the fight against other reactionary measures, such as the attempt to defeat the President's Supreme Court re-organization plan, etc., can be halted."

This systematic infiltration of Socialists and Communists in the federal establishment has been traced in detail by the Dies Committee. In a radio address broadcast February 24, 1943, Congressman Dies told of an $8,000-a-year official of the Interior Department under Secretary Ickes:

> "At a Socialist gathering some years ago, a man who now occupies a high-salaried position in the Department of Interior explained the importance of their infiltrating the Federal Government. He said: 'They can be of

enormous use to the movement as government officials.'

"Mark you, this man did not say that his Socialist colleagues could be of enormous service to their country as government officials."

Another government employee earning $4,600 a year was identified as a pioneer in technocracy. Among his pamphlets was one advocating the abolition of money and the substitution of energy certificates representing ergs.

Still another, also employed at $4,600, was identified as President of the Inter-Planetary Travel Association, which was actively promoting development of rocket ships for flights to Mars and the moon.

Another individual investigated by the Dies Committee was identified as Joseph P. Lash, an affiliate of the Young Communist League in New York City. In 1937 Mr. Lash had published in one of the Communist youth organs the statement:

"American youth does not intend to lay down its life in shell holes around Shanghai or Timbuctoo. The program of the American Student Union states that 'We will not support any war which the United States may undertake,' for we recognize that such a war would be imperialist in character.

"The ASU means business by that declaration. That is why it carried through the anti-war strike last spring, which enlisted the support of 500,000 students. For the strike against war is a dress rehearsal of what we intend to do in a war crisis."

The complete article is a part of the record of the Dies Committee.

Soon after Pearl Harbor, Mr. Lash was an applicant for an officer's commission in the United States Navy. The Office of Naval Intelligence asked for more time to consider the matter. At length Mr. Lash was requested to appear before the Dies Committee, an event which was thus reported under the signature of Daniel M. Kidney, a staff writer, in the Washington *Daily News* for January 22, 1942:

"Joseph P. Lash, the seasoned youth leader from New York City, spent several hours in secret session with the Dies Committee last night.

"His appearance is said to have been arranged by Mrs. Eleanor Roosevelt, who has been trying to get Mr. Lash a commission in the Navy's intelligence service. He is a frequent White House guest.

"So far, the Navy has turned him down. The Dies Committee has a long record on his affiliation with and leadership of allegedly Communist and pacifist organizations.

"The story, as it leaked from the committee, was that Mrs. Roosevelt sent for Chairman Martin Dies and had a two-hour conference regarding her protege. The purpose of the conference, it is said, was to arrange for Mr. Lash to appear before the committee and correct his record there, in order to facilitate his getting a Navy commission.

"After a postponement yesterday afternoon, Chairman Dies had Mr. Lash appear before the committee around dinner-time.

"Whether the result will be a white-washing of his 'pink' record has not been learned.

"The Office of Naval Intelligence is the Navy's highly confidential counter-espionage service.

"Mr. Lash has always denied he ever was a Communist Party member."

The Navy decided at length it could not use Mr. Lash as a commissioned officer. His draft deferment was canceled, and, on April 28, 1942, he was called for Army service.

Following the Dies Committee report, the FBI submitted 1,597 names to the several federal departments for inquiry. Accompanying each name was the FBI's own description of the Communist-front organization with which the government employee had been identified. Some, for example, were members of the American League Against War and Fascism. This organization was described by the FBI in these words (*Congressional Record,* September 24, 1942, p. 7683):

"The American League Against War and Fascism is the first of three organizations established in the United States in an effort to create public sentiment on behalf of a foreign policy adapted to the interests of the Soviet Union. Its successor, the American League for Peace and Democracy, was established in 1937 and it, in turn, gave way in 1940 to the American Peace Mobilization which, since the German invasion of Russia and the establishment of a pro-war policy by Communists in the United States, has been known as the American People's Mobilization."

In its report on the American Peace Mobilization, the

FBI said it "was formed in the summer of 1940 under the auspices of the Communist Party and the Young Communist League as a front organization designed to mold American opinion against participation in the war against Germany. Its existence terminated within a month after the German invasion of Russia, when it became the American People's Mobilization, and adopted a program favoring complete assistance to Britain, Russia and China."

The American Youth Congress was described by the FBI in these words:

"It originated in 1934 and since its inception has been controlled by Communists and manipulated by them to influence the thought of American youth."

Still another organization was the League of American Writers, which the FBI reported had been "founded under Communist auspices in 1935. . . . In 1939 the League began openly to follow the Communist party line as dictated by the foreign policy of the Soviet Union."

Of still another organization which has a number of affiliates on the federal pay rolls, the FBI reported:

"The National Federation for Constitutional Liberties, with headquarters in Washington, D. C., and affiliates throughout the United States, is part of what Lenin called the solar system of organizations ostensibly having no connection with the Communist Party, by which Communists attempt to create sympathizers and supporters of their program among those who would never affiliate themselves openly with the Party."

Similar reports were presented on the National Committee for the Defense of Political Prisoners, the National Committee for People's Rights, National Negro Congress, Washington Committee for Democratic Action. In each case the FBI listed the government employees identified with the Communist-front organization.

Among the federal employees named as members of one or more of these organizations were the Senior Attorney for the Bituminous Coal Commission, salary $4,600 a year; a Senior Specialist in School Buildings, Office of Education, $4,800 a year; Chief Attorney for the Rural Electrification Administration, $6,500 a year; Senior Editor of the Federal Security Agency, $4,600 a year; Assistant Solicitor of the Securities and Exchange Commission, $6,500 a year; consultant in the Office of War Information, $10 per day; Assistant Economic Statistician, OPA, $2,600 a year; Assistant Attorney, National Labor Relations Board, $3,200 a year; law clerk, Reconstruction Finance Corporation, $2,200 a year; Director, Hearings Branch, Department of Labor, $7,250; Principal Economist, Department of Agriculture, $5,600; Assistant General Counsel, Federal Works Agency, $5,600; Assistant Director, Labor Division, War Production Board, $6,250; Principal Attorney, Federal Power Commission, $6,000; Director, Technical Division, Federal Public Housing Authority, $7,500; the Secretary of the Virgin Islands, $5,800; Chief Securities Promotion Specialist, Treasury Department, $5,600; Assistant Attorney, OPA, Denver Office, $3,800.

So the list ran through every department, agency, bureau, commission and authority of the federal establishment.

"In the foregoing tabulation," the Dies Committee concluded, "we have listed only those who have publicly associated themselves with the National Federation for Constitutional Liberties or its District of Columbia Chapter, the Washington Committee for Democratic Action. We have not gone into the question of the rank-and-file membership of the organization with a view to determining how many federal employees are in the organization. We have reason to believe that the number of such rank-and-file members is large. Our Committee obtained a membership list of the old American League for Peace and Democracy which revealed that 563 federal government employees were on the membership rolls of that Communist-front organization. We know that a substantial number of these went over to the Washington Committee for Democratic Action when the American League for Peace and Democracy was dissolved."

In floor debates touching the FBI report and the subsequent action against known Communist sympathizers in the administrative agencies, Congressman Dies emphasized that during the term of the Hitler-Stalin Pact for the partition of Poland, American Communism was vigorously and militantly opposed to U. S. participation in the European war in any way.

In short, the war against Hitlerism did not become an "approved" program in the eyes of American Communism

until it had become a cardinal point of Moscow's foreign policy. Then, overnight, our federal fellow-travelers about-faced and conceded to Americans for the first time the moral right to oppose the Axis. The significant fact here is that, as regards at least 1,600 federal employees, the general attitude toward the war was determined not by Washington policies but by Moscow's official party line. Congress contends—and in this apparently is supported by a considerable section of popular opinion—that U. S. government employees should be responsive first to American policy.

On November 28, 1943, Representative Fred E. Busbey of Illinois told the House that the U. S. Civil Service Commission recently had issued a formal order to its 800 personnel investigators forbidding them to ask questions calculated to reveal the Socialistic or Communistic sympathies or affiliations of prospective government workers. The Civil Service order specifically forbade questions regarding the applicant's sympathy with the Spanish Loyalists, the Abraham Lincoln Brigade in the Spanish Civil War, the National Lawyers' Guild, the League of Women Shoppers, the Harry Bridges Defense Committee, and the American Civil Liberties Union, some of which had been identified publicly before the Dies Committee as Communist-front organizations in the United States. In explaining this order, which many members of Congress interpreted as opening the way for additional Communist fellow-travelers on the federal pay roll, the Civil Service

Commission said it could judge the qualifications of all job applicants "without in any way violating the civil liberties of American citizens."

In its formal instructions to personnel investigators, dated November 3, 1943, the Civil Service Commission explained that the hallmark of an American Communist today "is an advanced degree of patriotism. But it must be remembered that this cloak of patriotism was not donned until June 23, 1941, when the Russians and Germans became engaged in war."

Early in 1943 the Communist-front organizations launched a co-ordinated national attack upon the Dies Committee, employing full-page newspaper advertisements, radio, pamphlets and handbills. The campaign was timed to defeat a bill renewing the committee's special appropriation. As a measure of defense, Chairman Dies delivered a report to the nation on March 4, the tenth anniversary of President Roosevelt's inauguration, over a coast-to-coast CBS network.

"What is the reason for this well-financed and organized campaign of lies against our Committee? The answer can be found in the effectiveness of our work during the four and a half years that we have been in existence. During that period we have investigated and exposed more than one hundred Nazi, Fascist and Japanese organizations and as a result of that exposure every one of these organizations has been closed by government order or public opinion and many of their leaders have been convicted and sentenced to the penitentiary.

"During the same period we have ferreted out and unmasked more than one hundred communist and communist-front organizations with the result that fully 60 percent of them have been forced by public opinion to go out of business and some of their leaders have been convicted of crimes exposed by our Committee. We have also turned the spotlight of publicity upon hundreds of people, some of whom hold important government positions, who affiliated and associated with subversive organizations or expressed their opposition to the American form of government. If the Committee had not done a thorough and fearless job there would be no reason for the expenditure of hundreds of thousands of dollars for propaganda designed to discredit the Committee and its work."

Congressman Dies insisted the committee's investigations had disclosed the operations of human termites in the federal establishment. For an official description of termites he turned to a Department of Agriculture bulletin:

" 'Due to their subterranean habits, insidious method of attack, and often countless numbers, termites are very difficult to destroy. Always coming up through underground galleries, they work under cover, avoiding exposure to the light, so that the damage is often hidden beyond repair.'

"This language also describes accurately the human species of ideological termites that are undermining the foundations of this republic. . . . To combat these insidious pests, our Committee has followed the one method which they hate and fear most because of its effectiveness. We have turned the spotlight of pitiless publicity upon them and exposed their identities, methods and true purposes.

"Let us make no mistake about this: Our soldiers are not fighting for bureaucratic government, or socialistic schemes, or power-hungry politicians, or an American brand of fascism. They are fighting and dying to preserve and strengthen the American republic established by the Constitution of our country."

Soon afterward the House renewed for a fifth year the special appropriation for the Dies Committee.

Beware the fury of a patient man!

—JOHN DRYDEN

CHAPTER XIV

LABOR'S TOLLGATE

ENCOURAGED by federal policies which placed members of the CIO in key administrative and legal berths throughout the government agencies guiding manpower programs, organized labor has found the war a rich bonanza. In all the new war plants, compulsory union membership was imposed either as a condition of the government financing or the contract award. Feather-bed rules limiting production likewise were sanctioned in every major war industry, often over the vigorous protest of the Army or Navy. Management's efforts to penalize excessive absenteeism were resisted successfully by the labor unions, with the result that over a period of two years (1942-1943) average production losses from this source prevailed at about twice the normal peacetime rate. Supported by rulings of the National Labor Relations Board, the War Labor Board and the War Manpower Commission, all of which specifically forbade employer resistance to unionization drives in war plants, professional labor organizers found the war the greatest boon in the history of the labor movement.

Throughout the entire period since the outbreak of the European war in September 1939, the earnings of American industrial workers have advanced far beyond the increase in living costs. The U. S. Department of Labor reported in its *Monthly Labor Review* for November 1943 that between January 1939 and July 1943 average weekly earnings of factory workers increased by 84.4 percent, while living costs had advanced in the same period by 26.5 percent.

"In terms of purchasing power," the Labor Department's summary continued, "the average weekly earnings for factory workers increased by 48.5 percent between January 1939 and July 1943."

Illustrating government support of virtually all union demands was a case of the Allis-Chalmers Company before the War Labor Board. The board's plan for settlement of the labor dispute contained 141 clauses and conditions, which the company promptly accepted. But the CIO then rejected 95 of the clauses. Among the actions which the union held to be not a cause for discipline of the workers by management were the following: (1) abuse of tools and equipment; (2) waste of material; (3) falsification of a time card or work ticket; (4) refusal to work on jobs assigned by the plant foreman; (5) deliberate slowdown of production; (6) disobedience and insubordination; and (7) punching another employee's time card.

Surveying the aggressive profiteering of organized labor

under the abnormal wartime employment situation, Mr. Leo Wolman, a member of the Political Science faculty of Columbia University, reported in March 1943:

"Since the beginning of this war wages have substantially increased and have for some time been fixed by the government. Hours of work are determined by law. In the many cases coming before it, the War Labor Board has virtually written entire labor contracts. These contracts have, almost without exception, contained substantial concessions to the unions, such as maintenance of membership.

"In spite of the fact that several of the major conditions of work are fixed outside of collective bargaining, and that the most important terms of a contract are determined by government decree, the conclusion of one contract is only the signal for the presentation of a new set of 'demands' and the initiation of another time-consuming and lengthy period of negotiations."

Two uniform provisions of labor contracts, as required by the War Labor Board, practically divested management of every disciplinary authority in war plants. First, union dues were deducted weekly from each employee's pay roll by the company paymaster and remitted in bulk to the union—the "check off." Second, a standard WLB contract provision required that once a worker had indicated affiliation with a union, he might not relinquish that membership for the duration. Failure to maintain his union standing would entail automatic dismissal from the plant—the much-discussed "maintenance-of-membership" clause.

"Once the closed shop—the acme of union demands—is won," continued Professor Wolman, "management begins to lose control of hiring and the most radical step toward surrendering the right to discipline is taken.

"Meanwhile the whole structure of shop rules becomes likewise subject to attack and amendment. Seniority rules, which begin as simple measures intended to prevent discrimination in hiring and lay-off, are elaborated into highly restrictive practices.

"The right to promote and transfer, hitherto exercised in the discretion of management, becomes subject to the seniority rules; and the choice of men for more important, difficult, new or responsible jobs is a matter of joint determination, to be decided finally by negotiation and subject always to veto by the union.

"At the same time, encroachment on the right to manage takes the form of efforts to *reduce* standards of individual output. In fact, as soon as collective bargaining begins, union policy is directed toward changing existing methods of wage payment, reducing the amount of work received in return for a specified unit of pay, and controlling and restricting the conditions under which new machinery, tools, or processes may be introduced. In time, the union contracts and shop rules resulting from this process of bargaining become radically different from the ones they replace. Systems of incentive wage payments are either abolished or allowed to exist only within a limited area. Where piece rates still prevail the standards of output on which they are based have been revised. Technical improvements in the shop often become so hard to make, or so expensive, that it seems easier to do without them.

"Developments of this sort have been a familiar and common feature of the handful of American industries which have been more or less unionized for the past 30 or 40 years. They threaten now to become common features

of practically all American industry. If the forces responsible for them are not arrested and controlled, the capacity of business and industry to meet and handle the extraordinarily difficult problems of postwar readjustments will be greatly impaired. The organized labor movement, if it proposes intelligently and courageously to assume its responsibilities to labor, must quickly choose between policies which aim still further to increase the power of unions, and policies which are calculated to promote the prosperity of business and the efficiency of industry."

Another facet of wartime labor restrictions was illuminated in a wireless report from the late Robert P. Post, describing the arrival of the first AEF contingent in Ireland, as printed in the New York *Times* for May 19, 1942:

"At this end the dangerous docking operation—dangerous because of possible attack by the German Air Force—was carried out with a speed and precision that left some British observers amazed.

"The only possible exception to this statement was in connection with the unloading of tanks, which union rules demanded must be done by civilian stevedores. Hence the spectacle of a few men working on tanks, unloading them, with at least 100 able-bodied soldiers standing by, unable even to help swing one tank ashore."

Since 1937, four committees of Congress have investigated labor-coddling policies of the executive agencies. Fairly representative of their findings was the report of the Smith Committee in the House, which told in 1940 how it had caught the NLRB black-listing certain employ-

ers before the federal loan agencies, participating in public boycotts, engaging in unlawful lobbying for amendments enlarging the privileges of organized labor and, in at least one instance, assisting in plans for a general strike in an important industrial area of Pennsylvania.

Symptomatic of the violent antiemployer attitude of this supposedly judicial administrative agency in the field of labor-management relations was a letter written by one of the NLRB trial examiners in April 1937 to John L. Lewis, then international president of the CIO. The letter is quoted below as it was presented in *Exhibit 812* of the Smith Committee's report:

> "You, I know, do not have to be told that your present struggle with GMC [General Motors Corporation] is the first round of the heavyweight championship fight of this generation in this country. I want to help you win this and all succeeding rounds. . . . Please send for me at once—and pay me whatever you like—now and always. And to prove that my humility is equal to my zeal, I will start by carrying your brief case—or your bags, if you do not have a brief case."

This letter, written at the height of the tumultuous sit-down strikes in Michigan, which the NLRB was at the moment "adjudicating," offers a pretty accurate and comprehensive thumbnail history of U. S. labor policy during the last decade. Government simply has been carrying the CIO's brief case.

A senior member of the House Committee on Army Appropriations, Representative Albert J. Engel of Michigan made an on-the-spot inspection of seventeen Army-camp construction projects. At every camp, he reported to the House, organized labor had established an employment tollgate. At Camp Meade, Maryland, he found 19,-900 civilian craftsmen employed.

"This was a closed shop, and all labor was obtained through the Union, including common labor. The Union operated an employment office and no one was employed for more than three days without a permit from the union. I was informed that the carpenters' unions charged $57.50 initiation fees. . . . The common laborers' union charged $25."

Congressman Engel found 8,113 carpenters employed on this job.

"It was estimated that 10 percent were finished carpenters, 55 percent were what might be called rough carpenters, and 35 percent were not carpenters at all."

On this job, Secretary of Labor Frances Perkins had fixed carpenters' wages at $1.25 per hour, with time-and-a-half for overtime above forty hours per week—the union's designation to qualify the worker for journeyman status on the pay roll.

At Camp Pickett, a $29-million project in Virginia, Governor Colgate W. Darden, Jr., found the federal govern-

ment hiring "only union members in good standing." He insisted the Federal Employment Service accord equal treatment to nonunion job applicants.

In April 1942 the House Committee on Naval Affairs began public hearings to determine whether legislation might be advisable to outlaw slowdowns in war industries. The Secretary of Labor took the position such legislation would not be needed. A few days later, on April 11, the Byrd Committee of the Senate published an official tabulation of eight slowdowns then delaying naval ships, planes and marine engines. One aluminum plant was operating at 40 percent of capacity, a machine-tool and an aviation instrument plant at 75 percent each; a great airplane plant at 40 percent, another at 60, a third at 65. In each case, the report attributed the lowered production to an organized slowdown by the CIO. The report was signed by Rear Admiral Charles W. Fisher, Director of Naval Shore Establishments. It had been transmitted to the Senate through the office of Ralph A. Bard, Assistant Secretary of the Navy.

Testifying before the House Committee, Rear Admiral Emory S. Land, Director of the War Shipping Administration, declared in response to one question concerning limited ship production:

"There is too damn much loafing going on in the shipyards right now!"

A year later, on May 29, 1943, Mr. Elmer Davis, Director of the Office of War Information, warned organized

labor it still was outraging public opinion. He said:

> "Men who go on strike in wartime are doing incalculable damage to the prospects of union labor after the war. Before this war is over 10 or 12 million Americans will be in uniform and several million of them will have seen fighting. Men who have come back from the front have told me things they have heard soldiers say about strikes in war industries—even soldiers who were union men themselves in civil life.
>
> "And I can't see what good it does to the labor movement in general, or to any union in particular, to set several million Americans against labor unions—especially when they are the men who are likely to dominate American politics after the war for decades to come."

An inquiry by the House Committee on Military Affairs discovered, in May 1942, that under a White House directive no legal action against an Army contractor could be initiated without the prior approval of the Department of Labor, if the lawsuit involved in any way the issue of delayed industrial performance attributable to union rules and regulations. The Judge Advocate General of the Army thus was powerless to enforce military contracts in the federal courts if the legal proceedings might expose labor-shop rules as hindering or retarding war production.

Absenteeism in war plants during 1942-1943 averaged almost three times the normal peacetime rate established in the nonwar industries. In our great airplane, shipbuilding and tank plants, absentees numbered between 7 and 8 per-

cent of the total working force every shift, often running as high as 15 percent. The normal peacetime rate runs between 2 and 3 percent. Elimination of only the *excessive* absenteeism in war plants (all that above the normal peacetime rate) would have been the same as adding 800,000 full-time workers to our war-production forces.

What is the industrial output of 800,000 men for a single month? The Army has stated that it requires 27,000 man-hours to produce one four-motored heavy bomber. Thus, our *excessive* absenteeism alone equaled 6,210 of these bombers every *month*. The significance of these figures may be judged by the fact that at no point in the whole war effort has our production of bombers ever approached half this figure.

Speaking at Los Angeles in February 1943, Captain Eddie Rickenbacker said to a group of aircraft workers:

> "The perpetual slowdown in war industry caused by absenteeism, particularly in the aircraft plants, where it exceeds an average of 10 percent, is probably the most flagrant abuse of your obligation since Pearl Harbor. In the Boeing factory the day after Christmas, 26 percent of the employees were absent—and our aviators in those hellholes across the Pacific are crying their eyes out for only a few more planes. In the Douglas plant there was an absenteeism of 11,000 employees the day after Christmas—a shocking and deplorable condition."

A month earlier the U. S. Department of Labor had declared:

"It is difficult to overemphasize the seriousness of a report that in a recent month 8½ percent of the available labor time in a large copper mine was lost forever through absenteeism. . . . Reports from all shipyards in the United States show that in the month of November 1942 the absentee rate in that industry averaged 8.7 percent."

In March 1943 Admiral Edward L. Cochrane, chief of the Bureau of Ships, in charge of all maritime construction activities, declared before a ship-launching audience at Philadelphia:

"Speaking only for those shipyards which are engaged in work for the Navy, during the single month of last December, there were a total of nearly 13 million man-hours lost through workers' failing to report on the job. This loss would have been more than sufficient to have completed from the keel up, two cruisers of the dimensions of the one we are launching today."

A later survey of eighty-one commercial shipyards showed an increasing rate of absenteeism as the war progressed, the Labor Department reported. For all yards the absentee rate advanced from 6.7 percent in April 1942 to 7.3 percent in July, and 7.8 percent in October.

"Officials of four companies attributed absenteeism to high earnings in combination with other causes, and an official of a fifth company mentioned high earnings alone," this report concluded.

During its inquiry into the causes of excessive absentee-

ism, the Navy discovered a new American malady—"24-hour pneumonia."

"We cannot be too charitable about the matter when we find that absences fall off almost to the zero point on paydays, and then take a phenomenal rise on Mondays, when hundreds of cases of 24-hour pneumonia are reported. . . . The problem is one which can be solved only between the individual worker and his own conscience."

The Labor Department reported a similar trend in all other war industries. Absence uniformly hit the weekly low on payday, averaging about 4 percent. But on Mondays following payday absentees averaged close to 10 percent.

"Absence on different days of the week shows a marked pattern related to week ends and paydays," the Labor Department noted.

Absence on Sunday shifts ran about 15 percent and on the second and third shifts Saturday, about 10 percent.

"Employers who have been asked the reasons for voluntary (as distinguished from unavoidable) absences have most frequently given as a major reason the high wages paid in many war plants," the Labor Department found.

Premium pay for overtime appears to encourage rather than discourage absenteeism. Where plants work seven days a week, men often recover two days' absence by working Sunday at double time. These premiums once were stopped by a White House directive. However, the War

Labor Board soon ordered a restoration of premium rates for both Saturday and Sunday.

Organized labor declined to penalize excessive absenteeism. In negotiating closed-shop contracts, both the AFL and CIO refused repeatedly to consider a clause sanctioning penalty pay-roll deductions for unjustified absence over and above 3 percent weekly. Shipyard and aircraft managements contended that pay-roll deductions at the rate of time-and-a-half quickly would reduce absenteeism to normal.

Compulsory union membership throughout the aircraft and shipbuilding industries also contributed to heavy absenteeism. When a new employee went to work in these plants, he had to join a union. Initiation fees started at $25, to be paid within thirty days. In many cases, the new employee worked twenty to twenty-five days and then quit without notice, to avoid the initiation fee. Two or three days later he took employment at another plant and again started the same routine. Each such shift of employment cost two to five days. This routine apparently was favored particularly among women, who seemed instinctively more opposed than men to compulsory union membership. For most women, the brief interlude between jobs was welcomed for shopping and other neglected details of household management.

Needless absenteeism in the commercial shipyards aggregated, in total manpower, about a hundred Victory ships a year, Chairman Emory S. Land of the U. S. Maritime

Commission told the House Naval Committee on March 4, 1943. Asked if penalties might not reduce this high rate of absenteeism, Chairman Land said organized labor preferred to co-operate on voluntary measures.

Captain Rickenbacker, in his Los Angeles address, favored the patriotic appeal:

"If there is any question about the capabilities or sincerity of our war workers, bring back groups of 20 or 30 of these men from the front lines at $50 per month, place them in the factories in uniform, side by side with the rest of us, and you will soon find out whether or not you are doing your best today.

"In New Guinea I found our Air Force boys accomplishing the impossible—always doing too much with too little. Under abnormal conditions they were bringing down 4 or 5 enemy planes for every fighter lost. The heavy bombers were bringing down from 8 to 10 enemy planes for every one we lost.

"Oh, men and women of America, if you could only understand what our boys—your boys and mine—are doing in these hell-holes throughout the Pacific and over the burning sands of Africa, you would not worry about 8 hours a day, or about overtime or double-time for Sundays and holidays. You would not worry that you were producing too much per man per day. No, you would be—and should be—grateful for the privilege of offering everything you have. For none of us is doing so much that he cannot do more.

"France had her slowdowns and sitdowns—had her social legislation, which I am not against—but they failed in the realization that without work and without producing something of value, they could not last.

"Accept your responsibilities with the privileges that you enjoy. Remember that patriotism without service is a hollow word. There is no absenteeism in the jungle fox-holes of the Pacific, or in the hot sands of Africa.

"Cut this absenteeism in half, and our fighting forces throughout the world will be grateful, as it will add sufficient planes and parts to hasten final victory and save the lives of untold thousands of our boys.

"Do not let these boys come back from their graves to plague you for having failed in your obligation on the home front to give them more and more of everything needed for victory!"

After having delivered several speeches of this general import in various industrial plants, and over nationwide broadcasting chains, Captain Rickenbacker became a victim of a cruel and cowardly whispering and smear campaign, in which labor organizers took a conspicuous part, aided and abetted by their mentors in the federal labor agencies and on Capitol Hill. This campaign pivoted on the contention that Captain Rickenbacker's long ordeal of exposure and hardship in the Pacific a few months before had disturbed his judgment and unbalanced his emotions.

Harry Bridges, Pacific Coast maritime labor organizer, who earlier had been identified as a Communist in federal deportation proceedings, was one of those who spoke bitterly against Captain Rickenbacker. Addressing a Chicago audience on February 24, 1943, Bridges said he clung to American liberty because it afforded him an opportunity "to fight for freedom, to battle the Dies Committee,

the Eddie Rickenbackers, and to speak out." At another point in the Chicago address Bridges referred to "Eddie Rickenbacker, who learned all about labor relations on a rubber raft. . . ."

The chorus of derogation and invective against Rickenbacker soon resounded from coast to coast. In a matter of only weeks, dominant radio sponsors had got the news that Captain Rickenbacker's speeches did not represent the official best in public discussion. The vast and powerful labor underground which manipulates the puppets of government in Washington once more had sealed a venture in public debate touching the vested position of radical labor leadership. Soon the only audible voice raised in America against wartime labor racketeering—the only voice which had really made itself heard across the length and breadth of the land—had been silenced.

That it is unwise to be heedless ourselves while we are giving good advice to others, I will show in a few lines.

—PHAEDRUS

CHAPTER XV

TERMINATION OF WAR CONTRACTS

War contracts usually are canceled by telegraph. When Washington decides it has enough, usually it means enough as of last Tuesday. "Stop production!" the telegram snaps. And from that point, management is face to face with the dark realities of Contract Termination.

There's next week's pay roll; mountains of raw material is in the yard, perhaps half of it in various stages of manufacture. There are special jigs and tools to be liquidated, loans to be met, old machinery to be swung into production. As a balance-sheet proposition, the picture is good; assets are big and liabilities small. But termination jells the inventory assets temporarily, and pay-roll obligations always are expressed in *cash*. Lacking immediate cash settlement, employment must be curtailed. And, war or peace, unemployment is the first omen of recession. The problem, then, is cash-termination settlements, promptly!

In broad aspect, liquidation of uncompleted war con-

tracts is a problem for government. But in terms of immediate practical "damnabilities," it is a life-and-death concern of management. For management must know where to turn, what forms to send off, how to segregate and earmark surplus inventories, how to appraise tools and equipment in accord with Washington's definitions, how to start negotiations for the termination settlement.

In every plant this was a special job for a top-flight executive, one familiar with production, finance, taxes and government relations, with markets and all the special engineering problems of reconversion—a vice-president, so to speak, in charge of Contract Termination. Such an executive, when that inevitable cancellation telegram arrives, would have on his desk a program to flow into action within the hour: 10:00 A.M. airmail inventory for certification; 11:00 A.M. airmail statement of completed work unshipped; 12:00 M. wire bid on usable materials; 1:00 P.M. check audit of finished parts. And so far into the night; the morrow finds a new production program on the boards, with a financial plan to support it. And thus to an immediate beginning—next day or next week, according to the dimensions of the reconversion task—on the challenging job of supplying a peacetime market which has been starved for two or three years.

By the end of 1943 approximately $10 billion of war contracts had been canceled, or "cut back." This was a greater volume of cancellations than hit American industry at the

end of World War I. To put it another way, we canceled more contracts *during* the present war than *after* the last one. In all, there were approximately 200,000 prime contractors in World War II, performing an average of two contracts each. But these 200,000 prime contractors supported a network of no less than 2 million subcontracts reaching to every segment and element of the U. S. industrial structure.

From the procedures developed and results obtained in the first 8,000 cancellations, a vast experience was at hand to guide future policy. But it was a grim ordeal for many contractors. As Congress began an inquiry into the problem, in July 1943, there were many issues of basic policy to be clarified. Should each procurement department negotiate a separate termination for each contract? Re-negotiation of prices and profits originally had been handled by the several departments, each according to its own pattern. This had resulted in some large contractors being renegotiated simultaneously by two or three different departments, with an attendant duplication of legal fees, cost accounting and red-tape formalities. To eliminate such duplication, the suggestion was advanced in Congress that a new over-all federal agency be established to handle termination settlements. Such an agency would be composed of representatives of the principal procurement departments, Army, Navy, Maritime Commission, Treasury and Lend-Lease. Several industry spokesmen, on the other hand, contended that the original contracting agencies

probably could settle 75 percent of the terminated contracts by routine procedures, without dispute, leaving only contested cases for final adjustment in Washington.

Three principal objectives are in mind on Capitol Hill: First, the termination arrangement must provide quick cash resources to enable the supplier to convert to peacetime production without an abrupt contraction in employment. Second, capital tied up in inventory must be made liquid at once, either through purchase for government stock piles in the case of strategic materials, or through direct transfer of title to the processing company, to serve as collateral for bank loans against peacetime production. Third, the government must take title to a vast array of industrial machinery and tools designed exclusively for war production. As measured in productive horsepower, most of the wartime industrial plant, of course, can be diverted immediately to peacetime production. But something between $10 billion and $15 billion in special jigs, tools, machinery and equipment will remain for assignment to government arsenals and shipyards.

Congress agreed that the formula for dealing with these problems must be determined long before the day for wholesale contract termination arrived; for continuity of employment, the first objective of the transition program, pivots on a settlement plan ready to be applied overnight.

Should the termination arrangement concluded with the prime contractor cover also all his subcontractors? Or

should each subcontractor be terminated separately and directly from Washington, the government having regard for the type of production and the convenience of reconversion? Allowing the prime contractors to terminate their subcontracts would entail delegation of a vast amount of government authority to the prime contractors. On the other hand, direct termination of each subcontract by government would set up a job which hardly could be accomplished within one year, whereas termination must be signed, sealed, and delivered in thirty days if hardship, unemployment and widespread bankruptcy are to be avoided.

Second, should Congress attempt to set down a broad termination formula for all industries, or should each industry have a different plan, depending upon the time required to swing into peacetime production? Should each major war-production industry set up a task Committee on Contract Termination Policy, to function much as the WPB and OPA advisory committees operate? This suggestion has some merit, for war production doubtless will be terminated in stages and by degrees in various lines. Aircraft, for example, likely will be going full blast long after artillery is cut back to 25 percent of the maximum war schedule.

The first device to hasten cash settlements was the VT loan, made through regular commercial banks since September 1943, but underwritten and guaranteed by the Federal Reserve System and the Treasury. The VT loan, however, is available only up to the amount certified by the

government procurement agency after all details of the termination settlement have been agreed upon. It is merely a pay-off method to be employed after the settlement is negotiated. The government pays all interest on VT loans pending final clearance of the settlement check through the General Accounting Office. This check then liquidates the loan and the interest is charged to the Treasury through the Federal Reserve System.

But this device could not serve the contractor who might be compelled to wait three months for an agreement with the War or Navy Department on the specific terms of his termination. To handle this type of case, one plan suggested before the Senate Military Affairs Committee would authorize the contractor to use his accumulated federal tax reserves, covering his next tax payment with a note endorsed by the proper procurement agency, the note to be held by the Treasury as a lien upon the final termination settlement. This plan would at once release billions of dollars in tax reserves for termination settlements without intervening fiscal operations.

As of January 1944, the War Production Board estimated something between $75 billion and $100 billion involved in uncompleted contracts. This work is being completed at the rate of about $4 billion a month net, after allowance for new contracts placed. Measured in employment, something between 10 million and 15 million jobs are at stake in prompt termination settlements.

A proposal for six-months' dismissal wages to be paid to

workers released from war production already has been advanced by labor. Such dismissal wages, if approved by Congress, would be covered in the final termination settlement to the contractor.

On settlements made thus far, the principle has been stated, but not always adhered to, that the contractor should receive full cash payment for all goods actually completed, regardless of delivery schedule. In addition, he is entitled to receive 85 percent of the cash paid-out value for materials on hand—as distinguished from current market value at the day of settlement. These terms, together with the mechanism of the VT loan and possibly the tax withholding privilege, would assure a short-time turn-around operating fund. But they make no provision for adjustments on special war plant and tools. Secondly, these terms, as now applied, entail individual settlements on each contract, an inevitable source of administrative delay, accounting and legal log jams, misunderstanding, friction. It is estimated that the termination procedures ultimately will touch at least a million separate claims, each to be investigated, negotiated, audited, certified and paid. Following World War I the average contract settlement was made after a period of *two years* in those cases where an agreement was reached, and three and one-half years, average, in those cases which fell into dispute for judicial review. To avoid this catastrophic interim, Congress has considered one suggestion to have the government buy all undeveloped claims for cash, on an estimate basis, at the moment of the con-

tract termination. This temporary settlement would be somewhere in the neighborhood of 60 to 75 percent of the estimated value of the final claim, as submitted by the contractor, the balance to be paid at the time of the audited agreement.

Special provision also must be made for handling terminations of all contracts still in process of re-negotiation. Where re-negotiation remains open, the whole problem of basic cost and price obviously is in suspense. There then would be no beginning point for a termination settlement, save by some more or less arbitrary formula designed to protect the contractor against a difficult and protracted case of frozen assets. Failure to provide adequately for this special type of case would entail terrific hardship for thousands of contractors still going through the re-negotiation wringer.

The experience of one war contractor, as related before the Senate Military Affairs Committee, illuminates the whole range of these acute problems. To protect information of possible military value, the narrative is recited without identification of the contractor; but the president of the corporation told the story. We will call him Mr. Berry, of Cleveland, whose electrical manufacturing business had been established in 1906. His 1942 volume was about 3½ times the best peace year. But wartime inventory, alone, exceeded the total capital value of the business. Abrupt contract termination, without arrangements for immediate

liquidation of war inventory, would have left this company worse than bankrupt. About 400 jobs were involved.

Now Berry has had some experience in contract termination. The Maritime Commission canceled a $22,000 contract on October 5, 1942, three days before the goods were to be delivered. On November 4 Berry presented his termination claim—$6,900—covering actual cash outlay and commitments, minus usable inventory and scrap values. On January 2, 1943, the claim was referred from the Jacksonville office of the Maritime Commission to the District Engineer at Philadelphia. Berry went to Philadelphia for a conference on January 14-15. He was told the claim appeared reasonable but that it "must be approved all up and down the line." Returning to Philadelphia on February 1, Berry found the regional engineer too busy to see him. Four months were gone.

On February 8 he received a letter at Cleveland offering a settlement of $2,500. He asked for an itemization indicating how this figure had been arrived at, but received no reply.

On May 14 the Jacksonville Operations Office was transferred from the supervision of the Philadelphia District to the New Orleans District. On June 2 Berry received a letter from the district engineer at New Orleans which stated frankly: *"We know of no policy established by the Commission to arrive at termination settlements."*

On August 2 Jacksonville again popped in, this time with a settlement offer of $1,615. Berry then suggested that the

claim be submitted to arbitration, but received no acknowledgment. On September 4 he was advised by New Orleans that the dossier had been sent to the Review Section at Washington. On September 24 the Review Section advised him that no papers in the case ever had been received. On a visit to Washington October 12 he was advised the papers finally had arrived, but that the Commission had decided to set up a new Committee on Review. There the matter stood fifty-three weeks and three days after the actual contract termination—all set to be reviewed by a Review Committee not yet created!

Happily, this $6,000 claim did not embarrass a $700,000 corporation with $3 million of live war business on its books. But the chronology of this case (it's all in the Senate Military hearings for October 14, 1943) projects clearly what might be the plight of all American industry should V-Day arrive before establishment of clearly defined and soundly administered policies and procedures for contract termination.

Certainly it will not be the intention of government to handle the anticipated 90,000 prime-contract terminations on the Jacksonville-to-Philadelphia-to-New Orleans-to-Washington plan encountered by Mr. Berry. Yet that is what almost certainly will happen unless a termination program is set up to operate effectively for every type of case. Nobody in the military procurement agencies wants or intends to grind industry to pieces; but the fellow who unfortunately gets caught in the meshes of bureaucratic

indecision never is saved by good intentions. Everybody who deals with government knows the problem—"I can't find the fellow who has authority to make a final and binding decision. Everybody agrees my case is sound, and that I should have a decision. But A defers to B, and B is waiting on C, and C is palsied by pending legislation in Congress, or a recent decision of the Comptroller General. And here I hang by my thumbs." The fact that nobody in particular is responsible for these cruel hardship cases does not lessen the responsibility of both Congress and the White House to avoid them. Analogous cases have come to light by the hundreds before the Price Adjustment Boards, in WPB material allocations and in OPA price and rationing controls.

"I am not worried about this particular case," Berry told Senator James E. Murray of Montana, Chairman of the Sub-committee on Contract Termination. "The amount is small. It entails no financial burden. But I am looking forward to the day when my desk will be piled high with these cases. I would want to know at least where to begin—Jacksonville, Philadelphia, New Orleans or Washington."

Throughout his testimony Berry affirmed repeatedly there had been no ill feeling in all these negotiations.

"Everything was on friendly terms. Our only difficulty seemed to be that there was no policy, no procedure, no final authority anywhere to conclude a settlement."

In support of his thesis the witness exhibited about seven

pounds of correspondence accumulated over the year on this one cancellation.

To avoid these difficulties multiplied by thousands, the witness suggested Congress should enact a termination program based upon immediate cash settlements covering 75 percent of the plant's war inventory as determined by some quick process of certification locally, either through the military inspection officer, the regional contracting officer, or designated public accountants acting temporarily as government agents. Under such a plan, each settlement might be accomplished in perhaps ten days; would maintain employment, finance reconversion, freeze industrial stock piles against distress liquidation, and provide turn-around room for the channeling of many war inventories to peace production within the same plant. Withal, the 25-percent margin would insure the government against fraud, misrepresentation, and collusion pending review, audit and certification of the final settlement by the General Accounting Office.

The urgency of some such interim settlement was demonstrated forcefully in a report from the Senate Small Business Committee in July 1943. At that time the War Department alone had canceled 3,764 contracts.

"More than 2,300 of these are still unsettled. More than 400 cases have remained unsettled for more than six months. In only 44 cases have advance payments been made by the War Department—and to prime contractors only."

This data revealed that only one contractor in every ninety got an immediate cash advance on termination.

"This means," the Committee's report continued, "that hundreds of prime contractors and many thousands of subcontractors have spent large amounts of money on government contracts for which they have not been reimbursed. The War Department reports that, as a result, many of them are financially embarrassed and that their dissatisfaction is very great."

The War Production Board approached this problem through a uniform contract clause covering termination. It would bind the contracting agencies to negotiate settlements directly with contractors. But to this the General Accounting Office interposed vigorous objections, principally on the ground that termination settlements should be subject first to audit and review in line with fiscal routine long established in the federal government. This would mean, in terms of practical administration, that all settlements, no matter how quickly negotiated, necessarily would pile up in Washington awaiting audit. On this point, Comptroller General Lindsay C. Warren would require the contracting officer to submit to the General Accounting Office with the settlement certification, "the record or evidence on which such settlement is based." Checks then would be held up pending individual review of each contract.

How long might it take the General Accounting Office to approve settlements on, say, 100,000 prime contracts

and 1 million subcontracts? Rather than plunge contractors into such a tangle of audit and review, government procurement officers often might be disposed to allow the contracts to run on to completion, thereby accumulating vast stores of unneeded equipment and delaying industrial reconversion to urgent peace needs.

Viewed from the standpoint of the larger national interest, this choice is a difficult one—on the one hand, industry continuing at top speed on unwanted military production; on the other, stagnation, insolvency and bankruptcy during a six months' audit-and-review interval at the General Accounting Office.

Let us apply this choice to a single industry—aircraft production. This industry produced, in 1939, approximately $200 million worth of goods, gross sales. The 1943 production was roughly $20 *billion,* or about five times the all-time annual peak of U. S. automobile production before the war. Because of this terrific expansion, the principal air-frame companies reported late in 1943 $1.09 in current assets for each $1.00 of current liabilities. (All other major war industries reported about $2.20 to $1.00.) This margin of 9 *cents* over liabilities represents the whole "conversion cushion" under several million jobs in the air-frame industry. Testifying before the Senate Military Affairs Committee, Webb Wilson, representing the Aeronautical Chamber of Commerce of America, presented this picture:

"At the end of 1942, the average aircraft company had in-

sufficient cash and accounts receivable to pay the amounts owed to its employees, suppliers and the Government. Worse, it did not even have enough quick cash assets to pay taxes and re-negotiation refunds owed to the Government. It was $20 million short. This dangerous situation exists because these companies have been forced to put practically everything into inventories and have used their reserves for taxes due and for working capital. Therefore, at termination it must convert the greater portion of its investment in materials and parts into cash within a few weeks if it is to have funds to pay the balance of its current obligations and have a fighting chance to survive.

"This study also brings out that the typical air-frame company has been called upon to expand to the point where, if it expects to survive, it must receive at termination pretty close to 100 cents on each dollar which it has invested in material and parts for war production. A 12-percent shrinkage on inventories would wipe out its entire working capital. Since these materials and parts are not readily salable in the open market and few can be used for peacetime models or in other products, we *must* rely on Government reimbursement to liquidate such inventories promptly after termination, and at book value. To repeat, two items are essential: The reimbursement must be immediate and it must be at full book value. A delay of a few months or weeks, or a shrinkage of less than 12 percent—either one will be fatal for us.'

Shall this industry wait in a sort of improvised financial concentration camp while the General Accounting Office audits its termination settlements "on the basis of documents and evidence submitted by the contracting agencies"?

There are, of course, some obvious physical limitations on the number of government contracts which can be audited in a given week or month. One of the most difficult practical problems touching Termination is our old friend, Manpower. At the U. S. Chamber of Commerce War Council, in New York in April 1943, this problem was presented thus by Clarence L. Collens, Chairman of the Committee on Termination of War Contracts, National Electrical Manufacturers Association:

> "Unless some simpler procedure is developed, the accounting problems of termination will be tremendous and may possibly exceed the capacity of the accountants within industry and the available services of outside firms of expert accountants and auditors. Furthermore, if all procurement agencies of government must establish a personnel to examine and audit all claims, a double load is thrown on the available supply of qualified cost accountants and auditors."

Under usual federal arrangements, with settlement authority divided between six procurement agencies, plus WPB, Treasury Disbursing Office, and the General Accounting Office, we may be drifting into a situation in which vast industries would be stopped in their tracks while awaiting their turn before the overworked accountants and auditors! So serious is this consideration that it already has been surveyed by conventions of the Institute of Internal Auditors, and the National Association of Credit Men. Both pointed out, in a word, that we can't all

be auditors and accountants, even for a short interval.

On October 15, 1943, President Roosevelt issued a directive to James F. Byrnes, Director of the Office of War Mobilization, calling for integration and co-ordination of all contract termination proposals and procedures.

"While we must prepare for necessary postwar adjustments, this preparation must not interfere with the long and hard war programs which are still ahead of us," the President admonished.

A vast pool of unspent appropriations is at hand in the various military procurement agencies. As of August 1, 1943, our total war appropriations from June 1940 were $340 *billion.* But only $120 billion actually had been spent, and only $150 billion actually committed in all contracts. Thus, there was something like $190 billion in uncommitted appropriations available, surely an adequate fund from which to draw promptly the $20 billion or $30 billion ultimately to be paid out in termination settlements.

So the funds are there, and the obligation for prompt settlement is recognized in every official quarter. Surely then government can find a method quickly to bring these two basic considerations to flower in a sound and practical routine of termination settlements—one, at least, which will avoid hanging our overwhelming industrial primacy in the public square before the General Accounting Office on endless ribbons of audit and review.

Can our federal bureaucracy come to grips in a business-

like way with a problem of this urgency and magnitude?

Upon the answer may depend the solvency of vast segments of American industry, as well as the successful approach to our first problem in postwar survival and stability—*jobs.*

The natural disposition of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle that it is, alone and without assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations.

—ADAM SMITH

CHAPTER XVI

TO REDEEM AMERICAN LIBERTY

FACING the immense labors of world reconstruction, America is under immediate necessity to mobilize and release once more the energies and inspirations of freedom. Obviously our experimental bureaucracy, which fumbled domestic recovery for seven years at a cost of $50 billion, and then stumbled unprepared into a global war costing $200 billion more, is not now to be entrusted with the epochal decisions and grave administrative responsibilities of world rehabilitation and the organization of lasting peace. Every hope for the future rests at last upon the productive power of America, and that still unmeasured economic capacity is to be restored and sustained only through na-

tional rededication to the fundamental concepts of constitutional liberty under law. The alternative, an America longer throttled and frustrated by a spendthrift bureaucracy seeking to impose collectivism upon a people determined to be free, could promise only further economic degeneration, social demoralization and—ultimately—political disintegration. In this hour of decision we are called upon, not to make a *new* start along untrod paths, but to set our course resolutely by the fixed stars of our bright heritage—human liberty, individual security against aggressions by government, free enterprise, freedom of speech and communication, and unyielding defense of absolute and complete national sovereignty in our relations abroad. In such an atmosphere of liberty redeemed our people would be free once more to work, to build, to save—to light again the torches of 135 million personal ambitions for a life of peace, dignity, security and constructive social progress. Herein lies the crisis of the age—freedom against the suffocating spiritual oppressions of alien national socialism.

The first assumption of our prevailing bureaucratic socialism is that every problem of national growth and adjustment is primarily a matter for government. The first assumption of constitutional democracy, on the other hand, is that, given the elemental freedoms and securities of balanced and orderly government, the people themselves, in their co-operative and contractual relationships, will deal with the problems of development and progress as they arise. An emphatic restatement of this latter con-

ception of national government would be perhaps a logical starting point for a program to redeem American liberty. Recent experience has demonstrated to all that government cannot do everything—that federal invasions of the spheres of state and local government bring only a multiplicity of new problems and issues—and costs—to harass the people.

The doctrine so often heard during the last decade, that our political system is outmoded and no longer equipped to cope with the complex problems of twentieth-century industrial organization, flows from an intellectual defeatism which comprehends neither the energies of liberty nor the genius of America to apply hearty good will and robust determination in the workaday world. Liberty begins with believing; but bureaucracy begins with doubt, mistrust, and bitter suspicions concerning the primary motivations of humankind. Liberty begins with man made in the image of God; but bureaucracy begins with man as a chaotic animal organism to be molded for good or evil only by the compulsions of government. It was this persistent and expanding overtone of bankrupt defeatism which at length drove Professor Raymond Moley from the inner councils of Washington.

"It is time," he recommended in April 1940, "to return to private life those who believe that this country is economically senile, matured, and washed up." Should the expansion of bureaucracy continue under the domination of defeatist philosophy, he concluded, "we may envision a future government that will be a cross between a soup

kitchen and a pawn shop." Three years earlier, as editor of *Newsweek*, Professor Moley had denounced publicly "a group of zealots who dog the President's heels in Washington, always pressing him to make more and more inflammatory declarations of class warfare."

In a historic message to Congress on January 3, 1936, President Roosevelt reviewed the first phase of our alphabetical salvation with this arresting conclusion:

> ". . . in thirty-four months we have built up new instruments of public power. In the hands of a people's government this power is wholesome and proper. But in the hands of political puppets of economic autocracy such power would provide shackles for the liberties of the people."

In this statement is found the essence of personal government—a conception of benevolent autocracy as old as human history. It is the evaluation of government in terms of the person of the ruler—a sweeping repudiation of the very theory of representative self-government. For under the American constitutional system there can be no instruments of public power save those ordained and created by the people themselves. Where in the history of this troubled decade is the expression of the people which authorized those instruments of public power which might provide, in other hands, the shackles for their liberties? On the contrary, the record is clear that every delegation of legislative authority was made reluctantly by both Con-

gress and the people under the compelling pressures of "emergency," real or fancied. The President had alluded publicly to "emergency," "crisis," "disaster," or "national peril," not less than thirty-nine times during his first six years in the White House. And every emergency had brought its own peculiar appeal for some enlargement of executive power. Yet when all the emergency grants of power for four years had been placed end to end they were found good in Mr. Roosevelt's hands, but potential "shackles for the liberties of the people" in other hands!

A second requirement of constitutional rehabilitation is that Congress restore effective legislative control over federal expenditures and budget policies. Since 1933 we have drifted into a dangerous method of blank-check appropriations in *billions,* leaving to the departments the expenditure of public funds without any limitations whatever as to purpose, scope or audit. From such appropriations come funds to sustain hundreds of federal projects about which the country knows nothing. From time to time as these secret projects are exposed by official inadvertence, the people ask in astonishment, "When did Congress authorize *that?"* Investigation discloses that Congress never did authorize the program; it simply had been launched with blank-check appropriations.

The fact came to light in November 1943, for example, that the Farm Credit Administration had lent farmers about $20 million with which to buy war bonds. The Farm Credit loans were made at 4½ percent interest, while the

war bonds paid about 2½ percent. FCA drew the original loans from the Treasury, passed the money to the farmers, who in turn passed it back to the Treasury for the war bonds! In the end, all these transactions came out at zero for the Treasury; yet in the official reports they showed a tremendous volume of loan activity for the FCA, and, at first glance, an impressive enlistment of this agency in the war effort. A congressional investigation disclosed that during the first nine months of 1943 FCA had sold $19,436,869 in war bonds and stamps.

"We are not urging you to borrow money to buy war bonds," said the letter addressed to members of the local production credit associations, "but if you care to do so, we can make short-term loans or advances for reasonable amounts for bond purchases. If you do not have an active loan, we can set up a loan for war-bond purchases at our regular 4½ percent interest rate and no other charges. If you now have a loan, we can approve releases of livestock sales for war-bond purchases for reasonable amounts in keeping with your financial position."

An earlier venture in fiscal magic accomplished by manipulation of huge blank-check appropriations was exposed by Senator Harry F. Byrd of Virginia in an address before the Academy of Political Science on November 10, 1937. He explained that the Reconstruction Finance Corporation had allocated some $2.5 billion of its funds to various other federal agencies, notably to Mr. Harry Hopkins' WPA. Yet the Treasury carried on its books

at full value all the notes and stock issues of the RFC.

"So today," Senator Byrd explained, "the stock of the RFC is valueless and the notes are not worth more than fifty cents on the dollar in recoverable assets. Yet only recently the Corporation issued a financial statement showing and claiming a surplus of $150 million as of December 31, 1936."

A month later the Administration presented a bill to Congress to cancel $2,675,000,000 of RFC notes held by the Treasury. This measure was passed in the Senate on February 16, 1938, by unanimous consent, without debate. Several hours later Senator Vandenberg of Michigan stated from the floor that "few of us understood what had happened until about half an hour afterward."

This legislative action amounted to an appropriation of $2,675,000,000, which already had been spent for relief and other federal grants through the Home Owners Loan Corporation, Federal Farm Mortgage Corporation, Federal Housing Administration, Farm Credit Administration, and the Disaster Loan Corporation.

Until such Wallingford operations are brought under control by Congress, the constitutional provision which assures legislative management of federal finances remains, in practical application, a cruel myth. Congress can control the purse strings only by returning to the constitutional procedure of itemized appropriations for approved governmental enterprises. In the seven years 1933-1940 total blank-check appropriations to the Executive Depart-

ments were almost $20 billion, or approximately eight times all the discretionary funds appropriated by Congress in the 144 years from the establishment of the Constitution in 1789 to March 1933.

A third demand of constitutional restoration is that the normal channels of public discussion and debate be opened once more for the weighing of national policies in advance of formal adoption. Under the doctrine of emergency, the Executive Branch has shown an often bitter impatience with popular debate on developing policies. Questions and criticism from the country have been discouraged by the plea of emergency, by violent smear campaigns directed toward the leaders of the opposition, or by the secret development of programs until established beyond reach of Congressional action.

Often the questions of the opposition have been dismissed airily by the White House as mere fulminations of troubled minds. An impressive illustration of this dismissal of debate is found in President Roosevelt's address before the New York Herald-Tribune Forum on October 26, 1939, about two months after the outbreak of the European war:

"In and out of Congress we have heard orators and commentators and others beating their breasts and proclaiming against sending the boys of American mothers to fight on the battlefields of Europe. That, I do not hesitate to label as one of the worst fakes in current history. It is a de-

liberate setting up of an imaginary bogeyman. The simple truth is that no person in any responsible place in the national administration in Washington, or in any State government, or in any city government, or in any county government, has ever suggested in any shape, manner or form the remotest possibility of sending the boys of American mothers to fight on the battlefields of Europe. That is why I label that argument a shameless and dishonest fake."

A corollary of vigorous and honest national debate touching the policies of government presents the fourth requirement of constitutional restoration—the right of the press to explore at will the whole area of public administration without interference, intimidation or molestation by the departments and agencies. Step by step over the last ten years the principle has been nurtured in Washington that the public is entitled only to such summaries of operations and results as the various administrators may determine from time to time are proper.

This policy begins with the assumption that journalism is the servant of the government, rather than the agent of the people. Publishers who have resisted this persistent encroachment upon the freedom of the press have felt, in numerous manifestations of federal policy, the terrible wrath of Washington. Two critical newspaper publishers were convicted under the law and sentenced to the federal penitentiary, after trials demanded by federal agencies. But one publisher who acted as a political torchbearer for the Administration was able to obtain considerable long-

term loans through the Federal Reserve System, guaranteed by the Reconstruction Finance Corporation.

In one instance of record, an influential publisher in Puerto Rico, who had exposed vigorously the unwelcome collectivist policies of Government Rexford G. Tugwell, discovered suddenly that there was no shipping space available to bring in his newsprint paper. Hastening to Washington, he was informed by Interior Secretary Ickes that, while shipping space was very tight to and from Puerto Rico, it might be possible to squeeze in some newsprint from month to month if the militant journalistic exposé of Governor Tugwell's policies and programs were abandoned. Facing the alternative of immediate bankruptcy, the publisher assented. The investigation was halted, and hearings then being conducted by the United States Senate soon died a natural death. A bold exercise of the war power, which gave the Board of Economic Warfare absolute control over all shipping space, had saved Governor Tugwell!

Reviewing America's recent drift toward government-managed public opinion, Mr. Paul Bellamy, editor of the Cleveland *Plain Dealer,* warned in the Mellett Lectures at Ohio State University on November 9, 1943, that both government and the press alike would "reap a terrible harvest if, after the war, the public finds out that it was deliberately misinformed or kept in ignorance as to the essential inwardness of the situation."

Mr. Bellamy did not challenge routine military censor-

ship, which is accepted universally by the press as an inescapable part of war. But he did challenge vigorously the "timing" of official news releases with an eye to election results.

"It behooves the entire press to stand up and fight for the right to tell the truth to the American people while it is still news," Mr. Bellamy insisted.

Our unhappy experience in the reopening of the Amazon rubber area after Pearl Harbor affords a striking illustration of nonmilitary censorship at work in Washington. With the assent of the Brazilian government, our rubber development program was launched early in 1942, with an allocation of $25 million from emergency funds. Because the Board of Economic Warfare controlled all travel space to and from the area, journalistic inquiry into the progress of the program was impossible. In the absence of public discussion, both Congress and the people were led to believe that the work moved along satisfactorily. At length, in October 1943, the Truman Committee of the Senate prevailed upon the Rubber Development Corporation to permit a party of American journalists to survey the area.

Reporting on this trip, Marquis W. Childs wrote in the St. Louis *Post Dispatch,* after his return, that the plan to bring 70,000 rubber tappers into the jungle actually had brought in 1,539 during the first year.

"Supplies were ordered from Washington on a colossal scale—50 million tin cups, thousands of shot guns, thousands of machetes, thousands of gross of Atabrine tablets

to combat malaria. . . . The total number of workers moved into the bush this year may not exceed 12,000, if, indeed, it reaches that number.

"During all this time Americans and American millions were pouring into the Amazon valley. The number of administrators, technicians, and experts in Manaos was so large that an American village was designed to house them, with an American hotel, staff headquarters and comforts and conveniences of living rarely enjoyed in the Amazon. This last project never got beyond the stage of a handsome architect's drawing in pastel colors. A combination personnel director and social hostess came from Washington to look after the welfare and morals of the secretaries and stenographers."

Experienced plantation men in Brazil have estimated that rubber coming out of the Amazon during the first year of this program cost the United States Treasury something in the neighborhood of $500 a pound, as compared to a prewar world price of eighteen cents.

Confirming Mr. Childs' conclusions, Mr. Luther Huston, who made the survey trip for the New York *Times,* reported:

"The program now in operation is not the one that was conceived in high places in Washington when the quest for rubber began. One plan envisioned a sort of WPA which would control the economic and social life of the Amazon valley. The Brazilians would have none of it. . . . Waste of money in impractical plans and projects undoubtedly has added to the cost of the Amazon rubber. Another waste has been in selection of personnel, such as sending from the United States to the Amazon area men

and women who found nothing to do after they got there."

Such squandering of national resources and manpower is possible only when the free press is gagged and frustrated in its normal democratic functions.

England, on the other hand, is almost boastful that throughout the war she has maintained stoutly the basic rights and privileges of liberty. In announcing the loss of Singapore and the first Japanese air raids upon Australia, Winston Churchill proudly told Parliament on March 26, 1942:

> "We have succeeded in preserving our traditional free institutions—free speech, full and active parliamentary government, a free press. We have done that under conditions which at times were more strained and convulsive than have ever beset a civilized State."

In the light of history, therefore, the official Washington contention that honest criticism and debate must be silenced as a measure of national protection stands as a hollow and shameless piece of political humbug. As Balzac said of the entrenched French bureaucracy of the nineteenth century, it "perpetuates the abuses which in turn perpetuate itself."

Re-established in full vigor, the constitutional processes of checks and balances in the administration of public power would eliminate at once the persistent badger-

ing of business by the executive agencies, as exemplified in recent years in the activities of the Anti-Trust Division of the Department of Justice under Mr. Thurman Arnold, now advanced by presidential appointment to the federal bench. Hardly a segment of American enterprise has escaped this official clubbing. But convictions have numbered only about one to every six indictments. Reviewing this campaign of federal terror against the business community, Mr. Carl Byoir, New York publicist, told the National Industrial Conference Board in New York, on January 21, 1943, that out of 603 criminal indictments Mr. Arnold had obtained only 105 convictions. This means that 498 innocent citizens had been placed unfairly under the cloud of criminal indictments—a rather depressing display of government persecution.

"In the A & P indictments just brought in Dallas, the Division alleged that all of the evils grew out of the central office in New York, but they had to go 1,800 miles away to find a place where the company did 1.3 percent of its business to bring in the indictment. . . . The motor car companies of Michigan are sued in Wisconsin. The Aluminum Company of Pittsburgh is sued in New York. The Pullman Company of Chicago is sued in Philadelphia. The tobacco companies of Carolina are sued in Kentucky. The Safeway Company of San Francisco is sued in Kansas City. Why? That is the record of Mr. Thurman Arnold's success through consent decrees and *nolo contenderes*. . . .

"But there is another issue here—the very issue for which we are fighting this war—the right of free men in a democracy to be free from governmental tyranny, abuse and

oppression. . . . The conduct of the Anti-Trust Division under Thurman Arnold has been unfair, indecent, unpatriotic and un-American. Mr. Arnold's real objective is not to convict criminals at all. What he is really trying to do is to make over the industrial economy of the greatest industrial country in the world. . . ."

Sickening to the patriot's heart, such charges of lawlessness in government nevertheless are recognized as true by every citizen informed concerning Washington's recent bureaucratic excesses. They stand, not as isolated particulars of feeble and incompetent executive management, but rather as symptoms of a general infection of the federal structure—an infection of alien socialist bureaucracy which already has darkened the once glowing vision of a mighty people, the American Dream!

Can America find her way back from this wilderness of personal government? May she never look forward again to that sort of peace and good will at home and abroad which wells up naturally from the humble and charitable hearts of free men? Surely our national history for 150 years cannot have been a great illusion. If not, then America *will* redeem her heritage of freedom, *will* resume the paths of achievement and progress—and thus renew and restore the heart and spirit and faith of all mankind.

THE END

APPENDIX

APPENDIX

TABLE I

Federal Receipts and Expenditures for Selected Years (1789-1943)

(Official Figures Published by the U. S. Treasury)

Population Continental area only (Millions)	*Year*	*Total Receipts*	*Total Expenditures*
3.9	1789-91	$ 4,510,652	$ 4,345,424
	1795	6,252,754	7,657,702
5.3	1800	11,051,553	11,000,069
7.2	1810	9,935,899	8,652,479
9.7	1820	18,986,131	19,421,553
12.9	1830	26,694,644	17,075,773
17.0	1840	24,023,637	29,035,815
23.1	1850	49,103,424	44,756,737
31.4	1860	64,582,675	72,411,658
38.6	1870	430,135,014	328,786,373
50.1	1880	366,842,090	301,109,391
63.0	1890	463,963,082	377,448,536
76.0	1900	669,595,431	621,395,005
92.0	1910	899,640,373	915,131,593
105.8	1920	7,126,502,601	6,900,697,632
122.8	1930	4,883,425,800	4,706,138,122
	1935	3,878,343,971	7,010,698,574
131.4	1940	5,925,349,303	8,998,055,756
133.6	1943	23,385,423,619	78,179,901,798
	1944*	38,718,000,000	104,036,000,000

* Estimated, *Treasury Bulletin,* August 1943.

TABLE II

Public Debt of the Federal Government

(Dollars per Capita)

June 30	*Gross Debt Per Capita*	*June 30*	*Gross Debt Per Capita*
1800	$ 15.87	1916	$ 11.96
1810	7.46	1917	28.57
1820	9.58	1918	115.65
1830	3.83	1919	240.09
1840	.21	1920	228.32
1850	2.77	1925	177.82
1860	2.06	1930	131.49
1865	77.07	1931	135.37
1870	63.19	1932	155.93
1880	41.69	1933	179.21
1890	17.92	1934	213.65
1900	16.56	1935	225.07
1910	12.69	1940	330.54
1915	11.83	1943	1,023.17

(Source: *Annual Report of the Secretary of the Treasury,* 1943.)

TABLE III

The Increase in the Federal Pay Roll

Year (June 30)	*Civil Employees in Executive Branch*
1816	6,327
1821	8,211
1831	19,800
1841	23,700
1851	33,300
1861	49,200
1871	53,900
1881	107,000
1891	166,000
1901	256,000
1911	391,350
1915	476,363
1916	480,327
1918	917,760
1920	691,116
1925	532,798
1930	580,494
1933	572,091
1934	673,095
1935	719,440
1936	824,259
1937	841,664
1938	851,926
1939	938,861
1940	976,863
1941	1,404,399
1942	2,206,970
1943	3,162,199

NOTE:—This summary does not include the legislative, judicial or military branches of the federal government or employees of the District of Columbia. It includes employees in both classified positions (subject to competitive examination under civil-service law) and unclassified positions (exempted from competitive examination by law and executive order). It also includes all *civil* employees in the Army and Navy Departments.

(Source: *Annual Report, U. S. Civil Service Commission,* 1943.)

TABLE IV

War Expenditures of the Federal Government (1940-1943)

The U. S. rearmament and defense program was launched in May 1940, approximately coincident with the fall of France. The Treasury reports show that between July 1, 1940, and October 31, 1943, total U. S. war expenditures, including lend-lease, were $133 billion. This figure, however, does not include a total of $20 billion spent during the same interval for operations of the regular, or nonwar, agencies within the federal establishment. Thus, total federal expenditures during the war period here surveyed (June 1940-October 1943) were $153 billion.

The following table shows the average daily *war* expenditures for the period under survey, as published by the Office of War Information:

	Average DAILY *War Expenditures*
July-September 1940	$ 8,600,000
October-December 1940	16,500,000
January-December 1941	45,600,000
January 1942	81,200,000
February 1942	100,000,000
March 1942	116,300,000
April 1942	133,100,000
May 1942	147,100,000
June 1942	162,000,000
July 1942	181,100,000
August 1942	198,600,000
September 1942	218,400,000
October 1942	211,900,000
November 1942	244,500,000
December 1942	235,600,000
Daily Average for year 1942	$169,100,000

TABLE IV—*Continued*

	Daily average for year 1943
January 1943	$240,500,000
February 1943	253,400,000
March 1943	263,400,000
April 1943	280,400,000
May 1943	283,600,000
June 1943	295,700,000
July 1943	249,900,000
August 1943	289,600,000
September 1943	277,400,000
October 1943	273,300,000

TABLE V

Civil Employment in the Executive Branch of the United States Government, by Departments

(August 1, 1943)

Department or Agency	*Total Employees*
Office of the President	758
Executive Departments:	
State	3,433
Treasury	83,892
War (Civil Rolls only)	1,355,515
Justice	31,087
Post Office	315,741
Navy (Civil Rolls only)	615,506
Interior	39,806
Agriculture	101,056
Commerce	39,529
Labor	9,768
Independent establishments:	
Alien Property Custodian	1,049
American Battle Monuments Commission	1
Bituminous Coal Consumers' Council	34
Board of Governors, Federal Reserve System	482
Board of Investigation and Research	117
Central Administrative Services	5,030
Civil Aeronautics Board	5,406
Civil Service Commission	6,838
Co-ordinator of Inter-American Affairs	1,142
Employees' Compensation Commission	492
Export-Import Bank	58
Fair Employment Practices Committee	55
Federal Communications Commission	1,965
Federal Deposit Insurance Corporation	2,090
Federal Loan Agency	19,673
Federal Power Commission	692
Federal Security Agency	36,525

TABLE V—*Continued*

Department or Agency	*Total Employees*
Federal Trade Commission	476
Federal Works Agency	20,074
General Accounting Office	8,944
Government Printing Office	7,934
Interstate Commerce Commission	2,171
Maritime Commission	8,703
National Advisory Committee for Aeronautics	3,991
National Archives	335
National Capital Housing Authority	260
National Capital Park and Planning Commission	7
National Housing Agency	19,857
National Labor Relations Board	893
National Mediation Board	92
National War Labor Board	4,663
Office of Censorship	11,205
Office of Civilian Defense	1,279
Office of Defense Transportation	4,835
Office of Economic Stabilization	8
Office of Economic Warfare	3,139
Office of the Lend-Lease Administration	617
Office of Price Administration	121,919*
Office of Scientific Research and Development	1,388
Office of Strategic Services	1,553
Office of War Information	3,669
Office of War Mobilization	14
Panama Canal (Civil Rolls only)	30,583
Petroleum Administrator for War	1,436
Railroad Retirement Board	1,651
Reconstruction Finance Corporation	8,425
Securities and Exchange Commission	1,274
Smaller War Plants Corporation	1,316
Smithsonian Institution	750
Tariff Commission	293
Tax Court of the United States	125

* Includes 65,514 local board members serving without compensation.

TABLE V—*Continued*

Department or Agency	*Total Employees*
Tennessee Valley Authority	28,355
Veterans Administration	53,789
War Manpower Commission	213,179
War Production Board	18,605
War Relocation Authority	2,048
War Shipping Administration	11,136
Total	3,278,731

(Source: U. S. *Civil Service Commission, Monthly Report,* July 1943, published October 12, 1943)

TABLE VI

Gross Debt of State and Local Governments

(Includes states, counties, cities, towns, villages, boroughs, townships, school districts and all other civil divisions, combined by states)

State	Per Capita Debt 1937	State	Per Capita Debt 1937
Alabama	$ 68.92	Nebraska	$ 71.25
Arizona	135.73	Nevada	117.78
Arkansas	126.67	New Hampshire	74.58
California	240 31	New Jersey	264.50
Colorado	136.55	New Mexico	118.22
Connecticut	96.23	New York	300.11
Delaware	88.80	North Carolina	136.63
Florida	261 97	North Dakota	65.89
Georgia	26.91	Ohio	108.61
Idaho	144.48	Oklahoma	52.42
Illinois	145.35	Oregon	163.84
Indiana	44.37	Pennsylvania	118.85
Iowa	80.13	Rhode Island	178.39
Kansas	57.75	South Carolina	67.02
Kentucky	40.44	South Dakota	106.80
Louisiana	161.70	Tennessee	109.48
Maine	79.34	Texas	111.17
Maryland	154.96	Utah	78.22
Massachusetts	130.36	Vermont	65.18
Michigan	135.42	Virginia	57.76
Minnesota	123.54	Washington	139.43
Mississippi	79.78	West Virginia	71.26
Missouri	92.11	Wisconsin	54.40
Montana	130.36	Wyoming	165.80
National Average			$136.12

(Source: *Statistical Abstract of the United States*, 1940, page 225.)

TABLE VII

New Corporate Capital Issues in U. S. Markets, 1929-1943

(Exclusive of all government obligations, refunding issues and investment trusts)

When the defense and rearmament program was launched in June 1940, the United States stood in its eleventh consecutive year of economic depression—a phenomenon without parallel in the modern economic history of the world. During this period, roughly one-fourth of our available national labor force was continuously unemployed. This unemployment flowed directly from the intimidation of private capital by experimental federal policies. For the decade prior to 1930, new investment in domestic corporation stocks and bonds averaged about $4.8 billion a year. For the decade 1933-1943, this new investment averaged only about $700 million a year. These figures present, in capsule form, the whole story of the crippling and suffocation of private enterprise. The deficiency in private capital investment during this decade, as compared to the long-term normal, was approximately $42 billion. That is why the government had to lay out $25 billion for new war plants in 1940-1943 to attain full employment. It had first to recover in part the lost years of continuous federal warfare against private enterprise. The table:

Year	*Amount*	*% of 1929*
1929	$6,417,200,000	100.0
1930	4,711,700,000	73.4
1931	1,759,300,000	27.4
1932	324,200,000	5.1
1933	159,600,000	2.5
1934	178,000,000	2.7
1935	404,000,000	6.4
1936	1,200,000,000	18.7
1937	1,225,000,000	18.9
1938	873,000,000	13.6

TABLE VII—*Continued*

Year	*Amount*	*% of 1929*
1939	383,000,000	6.0
1940	736,000,000	11.5
1941	1,062,000,000	16.5
1942	624,000,000	9.7
1943	228,000,000	4.7*

* First nine months only.

(Source: *Federal Reserve Bulletin,* November 1943, page 1090.)

TABLE VIII

Travel Expenditures of the Executive Agencies

(Fiscal year 1941)

The following table, from the hearings before the Joint Committee on Reduction of Nonessential Federal Expenditures (Part 4, page 1216), itemizes travel expenditures by the several federal agencies (exclusive of all military travel) for the fiscal year 1941. It is the latest official summary of travel outlay, as compiled from departmental reports by the Bureau of the Budget. It includes mileage, food, lodging, per diem allowances and all other expenses incident to approved official travel paid from the Treasury:

DEPARTMENTS	
Agriculture	$16,595,435
Commerce	1,682,942
Interior	2,875,280
Justice	4,648,690
Labor	1,408,705
State	982,724
Treasury	4,170,210
Post Office	5,418,913
INDEPENDENT ESTABLISHMENTS	
Alley Dwelling Authority	298
American Battle Monuments Commission	29,458
Bituminous Coal Consumers' Counsel	2,361
Board of Economic Warfare	24,727
Board of Tax Appeals	15,537
Bureau of the Budget	39,495
Civil Service Commission	325,457
Employees' Compensation Commission	28,171
Federal Communications Commission	89,097
Federal Deposit Insurance Corporation	532,261

TABLE VIII—*Continued*

Federal Loan Agency	2,493,125	
Federal Power Commission	203,304	
Federal Security Agency	16,769,977	
Federal Trade Commission	111,645	
Federal Works Agency	4,201,419	
General Accounting Office	175,282	
Interstate Commerce Commission	677,596	
Maritime Labor Board	13,500	
National Advisory Committee for Aeronautics	40,203	
National Archives	4,309	
National Capital Park and Planning Commission	103	
National Labor Relations Board	270,854	
National Mediation Board	36,058	
National Resources Planning Board	120,346	
Office for Emergency Management	698,582	
Office of Government Reports	20,236	
Railroad Retirement Board	208,550	
Securities and Exchange Commission	296,997	
Smithsonian Institution	3,613	
Tariff Commission	21,237	
Tennessee Valley Authority	604,339	
Thomas Jefferson Memorial Commission	1,123	
U. S. Coronado Exposition Commission	7,948	
United States Maritime Commission	175,881	
U. S. New York World's Fair Commission	1,221	
Veterans Administration	1,371,001	
Total Civilian Travel		$67,398,210
MILITARY DEPARTMENTS		
Navy	22,291,552	
War	56,060,194	
Selective Service Bureau	2,211,711	
Total Military Travel		$80,563,457

TABLE IX

195 New Federal Agencies Established Since 1933

(Including those created by Law and Executive Order)

Advisory Committee on Standards for Employment of Women
Advisory Medical Board (OCD)
Agricultural Adjustment Agency
Agricultural Marketing Administration
Agricultural Research Administration
Alley Dwelling Authority
Amateur Radio Committee (FCC)
Aviation Communications Committee

Bituminous Coal Division (Interior)
Bituminous Coal Labor Board
Bluebeard Castle Hotel (Virgin Islands)
Board of Investigation and Record (ICC)
Board of War Communications
Bond and Spirits Division (Justice)
Bonneville Power Administration
Broadcast Intelligence Service (FCC)
Building Trades Stabilization Board of Review
Bureau of Motor Carriers (ICC)
Bureau of Selective Service (WMC)
Business Advisory Council (Commerce)

Central Bank for Co-operatives
Central Statistical Board
Civil Aeronautics Board
Civil Air Patrol
Combined Chiefs of Staff, U. S. and Great Britain
Combined Food Board, U. S. and Great Britain
Combined Production and Resources Board, U. S., Great Britain and Canada
Combined Raw Materials Board, U. S. and Great Britain

TABLE IX—*Continued*

Combined Shipping Adjustment Board, U. S. and Great Britain
Committee on Conservation of Manpower
Committee on Co-operative Enterprises in Europe
Committee on Economic Security
Committee on Fair Employment Practice
Committee on Reciprocity Information
Committee on War Records
Commodities Exchange Administration
Commodity Credit Corporation
Consumers Council*

Defense Plant Corporation
Defense Supplies Corporation
Disaster Loan Corporation
Division of Central Administrative Services (OEM)
Division of the Federal Register (National Archives)
Division of Monetary Research (Treasury)
Division of Power (Interior)
Division of Studies and Statistics (State)
Division of Territories and Island Possessions (Interior)

Electric Home and Farm Authority*
Export-Import Bank

Farm Credit Administration
Federal Alcohol Administration
Federal Board of Surveys and Maps
Federal Committee on Apprentice Training
Federal Communications Commission
Federal Credit Unions
Federal Crop Insurance Corporation
Federal Deposit Insurance Corporation
Federal Emergency Administration of Public Works*
Federal Emergency Relief Administration*

* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

Federal Fire Council
Federal Home Loan Bank Administration
Federal Housing Administration
Federal Loan Agency
Federal National Mortgage Association
Federal Prisons Industries, Inc.
Federal Prisons Industry Board
Federal Public Housing Authority
Federal Real Estate Board
Federal Savings and Loan Insurance Corporation
Federal Security Agency
Federal Specifications Committee
Federal Surplus Commodity Corporation
Federal Works Agency
Food Distribution Administration
Foreign Trade Zones Board

Home Owners Loan Corporation

Incentive Division (Navy)
Indian Arts and Crafts Board
Inter-American Defense Board
Interdepartmental Committee on Foreign Trade Agreements
Interdepartmental Committee on Health and Welfare
Interstate Oil Compacts Commission

Joint Brazil-U. S. Defense Commission
Joint Committee on Evacuation (OCD)
Joint Committee on Welfare and Recreation
Joint Défense Production Committee
Joint Economic Committee, U. S. and Canada
Joint Economy Board (Army and Navy)
Joint U. S.-Mexican Defense Commission
Joint War Production Committee, U. S. and Canada

Labor Advisory Committee (National Research Council)

TABLE IX—*Continued*

Labor Policy Board (Interior)
Labor Policy Committee (WPB)
Labor Production Division (WPB)
Labor Standards Division (Labor)
Labor Supply Committee (Federal Security Agency)
Liaison Office for Personnel Management (OEM)

Management-Labor Policy Committee
Marine Casualty Investigation Board
Maritime Labor Board
Materials Co-ordinating Committee, U. S. and Canada
Metals Reserve Company
Munitions Assignment Board

National Air Transport Adjustment Board
National Bituminous Coal Commission*
National Defense Advisory Commission
National Defense Mediation Board
National Defense Research Committee
National Emergency Council*
National Historical Publications Commission
National Housing Agency
National Inventors Council
National Labor Relations Board
National Mortgage Association
National Park Trust Fund Board
National Power Policy Committee
National Power Survey
National Railroad Adjustment Board
National Recovery Administration*
National Resources Planning Board
National War Labor Board
National Youth Administration*

Office of the Alien Property Custodian

* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

Office of the Bituminous Coal Consumers' Council
Office for Emergency Management
Office of Censorship
Office of Civilian Defense
Office of Co-ordinator of Inter-American Affairs
Office of Defense Health and Welfare Services
Office of Defense Transportation
Office of Economic Stabilization
Office of Economic Warfare
Office of Facts and Figures*
Office of Foreign Economic Administration
Office of Government Reports*
Office of Government Space Control
Office of Information (OEM)
Office of Land Utilization (Interior)
Office of Lend-Lease Administration
Office of Philippine Affairs (State)
Office of Price Administration
Office of Scientific Research and Development
Office of Solid Fuels Co-ordinator for War
Office of Strategic Services
Office of War Information
Office of War Mobilization

Pacific War Council
Permanent Joint Board on Defense, U. S. and Canada
Petroleum Administrative Board
Petroleum Conservation Division
Petroleum Co-ordinator for War
Petroleum Labor Policy Board
President's Committee on Administrative Management
President's Committee on Fair Employment Practice
President's War Relief Control Board
Production Credit Corporation
Public Contracts Division (Labor)

* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

Public Works Administration*
Puerto Rican Hurricane Relief Commission
Puerto Rico Reconstruction Administration

Railroad Retirement Board
RFC Mortgage Co.
Regional Bank for Co-operatives
Resources Protection Board (WPB)
Rubber Reserve Co.
Rural Electrification Administration*
Rural Resettlement Administration*

Second Export-Import Bank of Washington
Securities and Exchange Commission
Smaller War Plants Corporation
Social Security Board
Soil Conservation Service
Soil Erosion Service
Solid Fuels Administrator for War

Temporary National Economic Committee*
Tennessee Valley Associated Co-operatives
Tennessee Valley Authority

United States Board on Geographical Names
United States Citizens Defense Corps (OCD)
United States Commercial Company
United States Employment Service
United States Maritime Commission
United States Munitions Control Board

Virgin Islands Company

Wage and Hour Division (Labor)
War Damage Corporation

* Transferred to a permanent agency under another legal title.

TABLE IX—*Continued*

War Food Administration
War Manpower Commission
War Production Board
War Relocation Authority
War Resources Board
War Shipping Administration
War Trade Board
Women's Army Corps (WACS)
Women's Naval Reserve (WAVES)
Works Progress Administration*

* Transferred to a permanent agency under another legal title.

TABLE X

International Organizations Supported by U. S. Government

In popular discussion the suggestion often is heard that the United States has retarded world progress by refusal to participate in joint efforts with other governments to advance social, economic and scientific enterprises. Below is a list of fifty-eight international organizations of which the United States is a member by treaty or sustaining annual contribution. Some of these enterprises have been in successful operation for more than fifty years. This list does not include any of the sixteen special joint committees, international commissions or temporary military boards set up since 1941 by the United Nations as a part of the war effort. On the other hand, the organizations here listed are permanent international enterprises concerned chiefly with the advancement of peacetime programs. The list is compiled from the U. S. State Department's annual publication, *American Delegations to International Conferences:*

American International Institute for the Protection of Childhood
Bureau of the International Telecommunication Union
Bureau of the Interparliamentary Union
Central Bureau of the International Map of the World
Central International Office Relating to the Liquor Traffic in Africa
Committee of Experts on the Codification of International Law
Emergency Advisory Committee for Political Defense
Habana Committee on Unification of Legislation
Inter-American Coffee Board
Inter-American Commission for Territorial Administration
Inter-American Commission on Tropical Agriculture
Inter-American Commission of Women
Inter-American Financial and Economic Advisory Committee
Inter-American Indian Institute
Inter-American Juridical Committee

TABLE X—*Continued*

Inter-American Permanent Commission of Investigation and Conciliation
Inter-American Radio Office
Inter-American Trade Mark Bureau
International Boundary Commission, United States, Alaska, and Canada
International Boundary Commission, United States and Mexico
International Bureau of the Permanent Court of Arbitration
International Bureau for the Protection of Industrial Property
International Bureau for the Publication of Customs Tariffs
International Bureau of the Universal Postal Union
International Bureau of Weights and Measures
International Commission on Historic Monuments
International Committee on Political Refugees
International Council of Scientific Unions
International Criminal Police Commission
International Hydrographic Bureau
International Institute of Agriculture
International Joint Commission, United States and Canada
International Labor Office
International Meteorological Organization
International Office of the Postal Union
International Office of Public Health
International Pacific Salmon Fisheries Commission
International Penal and Penitentiary Commission
International Red Cross
International Seed-Testing Association
International Statistical Bureau at The Hague
International Sugar Council
International Technical Committee of Aerial Legal Experts
International Wheat Advisory Committee
League of Nations Advisory Committee on Social Questions
League of Nations Permanent Central Opium Board
Pan American Highway Organizations
Pan American Institute of Geography and History

TABLE X—*Continued*

Pan American Railway Committee
Pan American Resources Commission
Pan American Sanitary Bureau
Pan American Soil Conservation Commission
Pan American Union
Panel of Inter-American Mediators
Permanent Commission of Inquiry for the Advancement of Peace
Permanent Court of Arbitration
Permanent International Association of Navigation Congresses
Permanent International Association of Road Congresses

BIBLIOGRAPHY

The primary source material on American bureaucracy is found in the annual hearings of the House and Senate committees on appropriations. Next, the annual reports of the several departments and agencies are carefully catalogued and cross-indexed in the Library of Congress. In these reports a particular activity of government may be traced through the years. Third, the annual budget messages since 1921 offer an approximate estimate of itemized costs.

The richest special library in the field of federal organization and administration is in the Brookings Institution of Washington, which has been making systematic studies in government for some twenty-five years. In the Library of Congress, the Legislative Reference Service maintains the most extensive documentary collection in the field of public administration.

The list below summarizes, for the most part, the recent additions to the literature, particularly those works which trace bureaucratic development through our national history, or offer an historical appraisal of bureaucracy's quickened pace toward collectivism during the last decade.

Allen, Carleton Kemp. *Bureaucracy Triumphant.* Oxford University Press: London, 1930. A scholarly survey of English bureaucracy.

Beck, James M. *Our Wonderland of Bureaucracy.* The Macmillan Company: New York, 1933. The encroachments of bureaucracy upon the fundamental securities of constitutional government since 1800.

Blachly, Frederick F. (and Miriam E. Oatman). *Administrative Legislation and Adjudication.* The Brookings Institution: Washington, 1934. The intrusions of bureaucratic law upon constitutional processes.

Black, John D. *The Dairy Industry Under the AAA.* The Brookings Institution: Washington, 1935. A vivisection of the new collectivism in American agriculture.

Cochran, Thomas C. and William Miller. *The Age of Enterprise.* New York: The Macmillan Co., 1943. The part played by industry and enterprise in American development.

Edmunds, Sterling E. *The Federal Octopus.* The Michie Co.: Charlottesville, Va., 1932. The growth of bureaucratic despotism under delegated powers.

Ezekiel, Mordecai. *Jobs for All.* Alfred A. Knopf: New York, 1939. A master-chart for the organization of American life under managed economy.

Gayer, Arthur D. *Public Works in Prosperity and Depression.* National Bureau of Economic Research: New York, 1935. The make-work illusion through the ages.

Griffith, Ernest S. *The Impasse of Democracy.* Harrison Hilton: New York, 1940. The problems of progress which confuse democracy today.

Hamburger, William L. *How Nazi Germany Has Controlled Business.* The Brookings Institution: Washington, 1943. The blighting hand of statism at work through European collectivism.

Herring, E. Pendleton. *Public Administration and the Public Interest.* McGraw-Hill Book Co., Inc.: New York, 1937. How the general welfare is lost in the maze of pressure groups and bureaucratic special interests.

Hewart, Lord of Bury. *The New Despotism.* Oxford University Press: London, 1931. Traces the development of bureaucracy in English law since the Gladstone era.

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Hutchins, Robert M. *Education for Freedom.* Louisiana State University Press: Baton Rouge, 1941. The spiritual and moral assumptions of political liberty.

Jones, J. Edward. *And So They Indicted Me.* (Privately published by the author.) New York, 1938. An intimate personal account of one businessman's struggle against bureaucratic absolutism.

Kent, Frank R. *Without Gloves.* William Morrow & Co., Inc.: New York, 1934. A day-by-day chronicle of the first year of New Dealism.

Lane, Rose Wilder. *The Discovery of Freedom: Man's Struggle Against Authority.* The John Day Co.: New York, 1943. The American heritage in broad historical panorama.

Leven, Maurice. *The Income Structure of the United States.* The Brookings Institution: Washington, 1938. A compelling analysis of the grandeur of America's economic achievement.

Lindley, Ernest K. *The Roosevelt Revolution.* The Viking Press: New York, 1933. An authoritative exposition of New Deal objectives from the 1932 campaign.

———. *Half-Way with Roosevelt.* The Viking Press: New York, 1936. A sympathetic appraisal of New Deal policies up to the 1936 campaign.

Meriam, Lewis (and Lawrence F. Schmeckebier). *Reorganization of the National Government.* The Brookings Institution: Washington, 1939. A survey of the prevailing chaos of government establishments.

Millspaugh, Arthur C. *Democracy, Efficiency and Stability.* The Brookings Institution: Washington, 1942. The creeping advances of totalitarianism through "managed economy."

Mitchell, Wesley C. *Wartime Prosperity and the Future.* National Bureau of Economic Research: New York, 1943. The anatomy of wartime industrial conversion, and the postwar problems of reconversion.

Moulton, Harold G. (and Staff). *Capital Expansion, Employment, and Economic Stability.* The Brookings Institution: Washington, 1940. How private enterprise worked in the United States over 100 years.

National Bureau of Economic Research (Staff). *Income Size and Distributions in the United States*—Part I. New York, 1943. A documented study of income distribution under capitalism, with some challenging observations on official "social statistics."

National Industrial Conference Board (Staff). *Enterprise and Social Progress.* The Conference Board: New York, 1940. An invaluable statistical summary of American economic progress and the recent bureaucratic paralysis.

National Resources Planning Board (Staff). *National Resources Development Report for 1943.* Government Printing Office: Washington, 1943. An outline of a new order for America, based upon the concepts of totalitarian reorganization of the United States after the war.

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Selko, Daniel. *Administration of Federal Finances.* The Brookings Institution: Washington, 1937. Delineates the urgent need for effective controls upon public spending and debt.

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